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# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Monday February 28 1983

Ford in Britain and lessons to be drawn from Saarlouis, Page 14

No. 29,011

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## NEWS SUMMARY

### GENERAL

#### Foot says he stays Labour leader

British Opposition leader Michael Foot confirmed that he intended to lead the Labour Party into the next general election.

That follows suggestions that he should step down after the heavy defeat of the Labour candidate in the Bermondsey, London, by-election, in which Liberal Simon Hughes achieved a 9,818 majority in what had been a Labour stronghold.

Deputy leader Denis Healey pledged total loyalty to Mr Foot. Page 18.

#### 'Soviets in Syria'

Israeli Army said four batteries of Soviet SA-5 missiles in Syria were now operational, and manned by several hundred Soviet personnel.

#### Arens takes over

Israel's new Defence Minister Moshe Arens took over in a low-key ceremony outside the Ministry in Tel Aviv.

#### Arab rapprochement

Maroc confirmed that King Hassan and Algerian President Chadli Benjedid had had four hours of talks in a border meeting. It was the first time the heads of state had met since the countries broke off relations seven years ago.

#### New Moscow talks

Chinese delegation headed by Deputy Foreign Minister Qian Qichen arrived in Moscow for a second round of talks aimed at normalising relations with the Soviet Union.

#### Plea for Umberto

Prince Vittorio Emanuele made a plea in Geneva for Italy to allow his father, ex-King Umberto, now 78 and suffering from lung cancer, to be allowed to return home to die. He has spent most of the last 36 years in Portugal.

#### MP's son arrested

Darlan Faccio, son of an Italian MP, was arrested by police in Milan as a suspect Red Brigades terrorist.

#### Haughey endorsed

Irish Opposition leader Charles Haughey, whose position was under threat because of a bugging scandal, was confirmed as leader of the Fianna Fail Party. Page 2

#### Nkomo "arrested"

Zimbabwe Opposition leader Joshua Nkomo said police had ordered him to report to them any movements from his Bulawayo home he planned. "This means I am under house arrest," he said. Page 2

#### Sikh concession

Indian Premier Indira Gandhi announced religious concessions to the Sikh community, including the right to carry daggers on internal flights.

#### Kabul bomb blasts

Kabul was hit by three big bomb blasts last week, in which several people were killed, the Soviet Army newspaper said.

#### Briefly...

Earthquakes hit Japan, halting rail services near Tokyo, and the Soviet Asian republic Tadzhikistan.

Rhazards killed at least 12 in Turkey and 14 soldiers in Lebanon.

Senegal had its first genuinely multi-party elections since 1980 independence.

EEC environment ministers decide today on whether to impose a permanent ban on importing seal pup skins from Canada and Norway.

Avalanche near Klosters, Switzerland, killed two West German skiers and left three others badly injured.

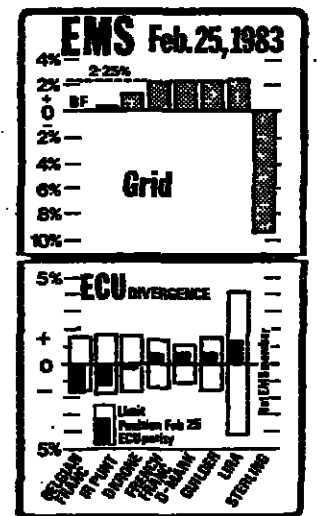
### BUSINESS

#### Chile bid to save industrial debtors

CHILE will announce measures this week designed to prevent the collapse of about a dozen industrial companies with large foreign debts. It appears ready now to reverse several free-market policies. Page 16

HONG KONG High Court issued a liquidation order against property group Eda Investments, one of the largest casualties of the 1982 property collapse, on a winding-up petition from Barclays Asia. Page 16

BELGIAN franc was fixed at its lowest permitted level against the D-Mark on Friday, as pressure in-



## Gulf oil states step up pressure for price decision

BY CARLA RAPOPORT IN LONDON

Prospects for a world-wide oil price war intensified over the weekend as Saudi Arabia and its Gulf state allies said they were prepared to slash the price of their crude by as much as \$7 a barrel if the Organisation of Petroleum Exporting Countries (Opec) could not agree to cut the Opec reference price by \$4 to \$30.

At the same time, Dr Mani Said Al-Oteiba, the United Arab Emirates Oil Minister, gave oil exporting countries one week to agree on a new pricing structure, or face a possible price war which, he said, the rich Gulf countries would win.

The Cyprus-based Middle East Economic Survey, which has an excellent record for reflecting Saudi opinion, reported in its latest issue that Saudi Arabia, Kuwait, the UAE and Qatar were making last-ditch efforts to secure Opec support for a \$4 cut in its price.

Opec Crude Oil Production* (m b/d)	1978	1979	1980	1981	1982	(December)	1983
	29.8	30.9	30.9	30.9	30.9	30.9	30.9
	29.8	30.9	30.9	30.9	30.9	30.9	30.9
	29.8	30.9	30.9	30.9	30.9	30.9	30.9
	29.8	30.9	30.9	30.9	30.9	30.9	30.9
	29.8	30.9	30.9	30.9	30.9	30.9	30.9

\*excluding natural gas liquids  
Source: U.S. Central Intelligence Agency  
UAE Oil Ministry

If these efforts failed, MEES said, the Gulf exporters would have no alternative but to lower their prices to perhaps \$27 a barrel, in turn clearing the way for a precipitous collapse of world prices.

The Gulf states have been hard hit in recent months by the decline in demand for their crude. They are particularly incensed that other Opec members, such as Libya, Iran and Iraq, have maintained their production by giving discounts on the official price. Dr Al-Oteiba said that Opec's output was now at 13.4m barrels a day (b/d), compared with a 1979 level of nearly 31m b/d.

Saudi Arabia's production is now less than 4m b/d compared with a peak of 10m b/d.

In Abu Dhabi at the weekend, Dr

Al-Oteiba said a decision must be taken to "remedy the situation on the oil market within a week, collectively or individually."

He declared that the Gulf states had the capability to succeed in a price war, as they possessed financial reserves and idle capacities, as well as cheaper production costs than other countries.

"I think the insinuation is very clear to countries within and outside Opec," Dr Al-Oteiba said, apparently referring to the Gulf states' ability to sustain losses while they undercut their competitors.

Dr Al-Oteiba's sentiments were echoed yesterday by Jassem Al-Koraki, chairman of the Kuwait National Assembly's Economic and Fi-

nanacial Affairs Committee. The Gulf states will "make their own moves and would not be defeated in a price war which is imposed on us," he said.

"If we are now hesitating to slash our prices by \$3-\$4 a barrel, I am afraid a day which is not too far away when we will be obliged to cut prices to as low as \$20 a barrel," he told the Kuwaiti newspaper Al-Watan.

The Gulf states' tough warnings came as Dr Humberto Calderon Berti, Venezuela's Oil Minister, wound up talks in Abu Dhabi and prepared to return to Paris for more talks today with the Oil Ministers of Algeria and Kuwait.

The Venezuelan Minister said he planned more informal talks in Europe this week with Opec Ministers, including Dr Suharto of Indonesia, Dr Al-Oteiba, and Nigeria's energy advisor, Yahaya Dikko, who is Opec's president.

Reginald Dale in Washington adds: Dr Al-Oteiba said on American television yesterday that contacts between the Opec countries and non-member producers, such as Britain and Mexico, were still continuing and there were "encouraging signs." If a settlement could be reached, he said that the price would settle down at \$29 to \$30

## EEC bid to settle dispute with IBM

By Guy de Jonquieres in London and Giles Merritt in Brussels

THE EUROPEAN Commission has sent proposals to International Business Machines (IBM) which, EEC officials say, could form the basis for a negotiated settlement of their competition case against the large U.S.-owned computer company.

IBM has until mid-April to reply to the proposals. The Commission is insisting that details remain confidential, but officials in Brussels say that the proposals could be described as a "peace-plan" whose terms were negotiable.

IBM confirmed that it had recently received "a document" as part of its continuing exchanges with the Commission. The company wanted to publish the exchanges but the Commission insisted that they remain confidential.

The Commission began competition proceedings against IBM in 1980 after an eight-year investigation into its business practices. The company is accused of using its allegedly dominant position in the European computer market to undermine smaller competitors.

IBM has consistently denied any wrongdoing. It has lobbied intensively in Brussels and other European capitals to try to get the case dropped and in 1981 challenged the Commission's action against it unsuccessfully in the European Court of Justice in Luxembourg.

In January last year, the U.S. Justice Department dropped its 13-year anti-trust case against IBM. But Mr Frans Andriessen, the competition commissioner, said soon afterwards that he intended to press ahead with the European case, which is among the biggest in EEC history.

Since then, however, relations between IBM and the Commission appear to have grown warmer. The company has recently talked to the Commission about participating in Esprit, the EEC programme intended to boost the development of Europe's electronics industry, and believes it may be invited to join the project.

The company, which is estimated to have more than 50 per cent of European computer markets, is keen to expand further in the EEC, particularly in the field of telecommunications. But its planning has clearly been overshadowed by the competition case.

U.S. industry analysts say that IBM has adopted a much more aggressive approach on the American market since the Justice Department case was dropped. The company

Continued on Page 16

## Volcker and Regan say rates too high

BY REGINALD DALE IN WASHINGTON

MR PAUL VOLCKER, chairman of the U.S. Federal Reserve Board, said yesterday he thought U.S. interest rates were still too high and should continue to come down.

The same view was expressed by Mr Donald Regan, the Treasury Secretary, who said the prime rate, which fell to 10 1/2 per cent at the end of last week, should be in the 6 to 8 per cent range.

With U.S. inflation now running at an annual rate of just over 2 per cent, real interest rates were much too high and could still fall dramatically, Mr Regan said.

Mr Regan said the Fed had recently been "on the loose side," with the money supply. This had helped to stimulate economic recovery but he thought the Fed should now "slow down." The Fed had to "walk a very narrow path," he added.

Mr Volcker said he assumed recovery had started in January but it was still uncertain how long and how strong it would be. He wanted to "put the conditions in place" to keep it going.

While he thought interest rates would fall, there were "some hazards." The main one was the likely future level of the U.S. budget deficit, the other the risk that inflation would start to rise again.

Mr Volcker welcomed the recent strength of the dollar but said it could be overdone. "You can have too much of a good thing," he said on American television.

Speaking separately, Mr Regan said it was entirely possible that the \$208bn budget deficit estimated for the current year (fiscal 1983) could be lower than originally forecast because of the strength of the recovery.



Mr Paul Volcker

ery and the added stimulus of lower oil prices.

Admitting that the oil price drop was a political windfall for President Ronald Reagan, he said the ultimate effect could be an extra full percentage on the American growth rate. He thought the oil price would settle down at between \$25 and \$30 a barrel.

He opposed the idea that has been canvassed in some quarters of a tax on imported oil. U.S. taxes did not need to be increased at the moment, he said.

Both Mr Volcker and Mr Regan welcomed the decline in oil prices but accepted that it could cause financial problems for banks. Both, however, said they thought any such problems could be contained.

## Fuel economy rule may hit Jaguar

BY JOHN GRIFFITHS IN LONDON

JAGUAR'S RUNAWAY sales success in the U.S. will cost it at least \$4.2m in "fines" this year if plans to sell 12,000 cars there are realised.

That is the cost to B.L.'s luxury cars division of failing to comply with federal Corporate Average Fuel Economy (CAFE) standards for 1983. These require a manufacturer's car range to have average fuel economy of 26 miles per gallon this year.

Jaguar, which sells the 4.2 standard and Van Den Plas saloons and the V12 XJS sports coupe in the

U.S., misses the target by over 7 mpg at 18.8 miles per gallon.

Thus under federal legislation, it is required to pay a penalty of \$30 for every mile per gallon short of the standard on every car sold, or \$350 per car.

The penalties do not, however, mean that Jaguars are far more "thirsty" than other manufacturers' products. It is simply that most other companies have economical

Continued on Page 16  
Yawning gap, Page 14

## Industry optimistic on upturn in UK economy

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

BRITISH industry may at last be starting to pull out of recession, according to an independent survey of companies published today.

Manufacturers are more optimistic that output is set to recover than at any time since 1979, according to the latest monthly Trends Inquiry for February published by the Confederation of British Industry (CBI).

The number of companies which believe stocks are too high was also the smallest since June 1979, when economic activity was near its last peak. The monthly Trends Inquiry, which painted a consistently gloomy picture of the state of industry last year, has a high reputation for its predictive accuracy. It is based on a survey of about 1,700 companies.

Sir James Cleminson, chairman of the CBI's economic situation committee, described the results as "encouraging" but warned yesterday that the improvement in February was from a very low base and said it would be a mistake to make too much of one month's results.

Nevertheless the CBI's economists are optimistic that the February figures may mark a turning point in the fortunes of the economy.

The balance of replies indicating that stocks were too high fell to 13 per cent compared with 23 per cent last summer, when a new round of de-stocking began.

These optimistic pointers are in line with last week's predictions by two major independent forecasters, who expect a modest recovery of output this year. The London Business School believes output in 1983

will be 1.8 per cent higher than last year's level, while the National Institute of Economic and Social Research predicted a recovery of 1.4 per cent in the absence of budget tax cuts.

Although there has been no direct evidence from official figures yet that industrial output has begun to rise, last week's trade figures, showing a sharp rise in imports in January, do suggest that activity may be picking up.

The build-up of consumer spending in the second half of last year raised the volume of retail sales in the last quarter by 5 per cent compared with a year earlier, but this was not reflected either in increased imports or in increased output.

Instead increased sales appear to have depleted manufacturers' and wholesalers' stocks. The CBI survey suggests this process may now have come to an end, and the surge of imports recorded in January would be consistent with a rebuilding of stocks by importers. Any slower rate of destocking or a rebuilding of stocks might also be expected to lead to an increase in manufacturing output in the early months of this year.

However, the IFO survey of business opinion is of particular interest because it covers January, the first month after the end of a government-sponsored boom scheme.

It had been widely feared that after the sharp rise in industrial orders in December, placed by businessmen taking advantage of the plan at the last moment, the January figures would plummet.

IFO reports that domestic orders in January were down, though not by a lot, and that export demand held up well, above all for electrical engineering products.

Much the same went for the

## West German outlook improves

BY JONATHAN CARR IN BONN

NEW EVIDENCE of an improvement in the West German business climate emerges in a survey today by the IFO economic research institute of Munich.

The survey shows that industrialists - especially in the construction sector - are happier about the outlook for the next six months, and that even the depressed retail trade is mildly encouraged.

Special factors are partly responsible for the improvement - for example very mild winter weather which has allowed builders to operate. Their orders, in turn, have fed back to boost other industrial sectors.

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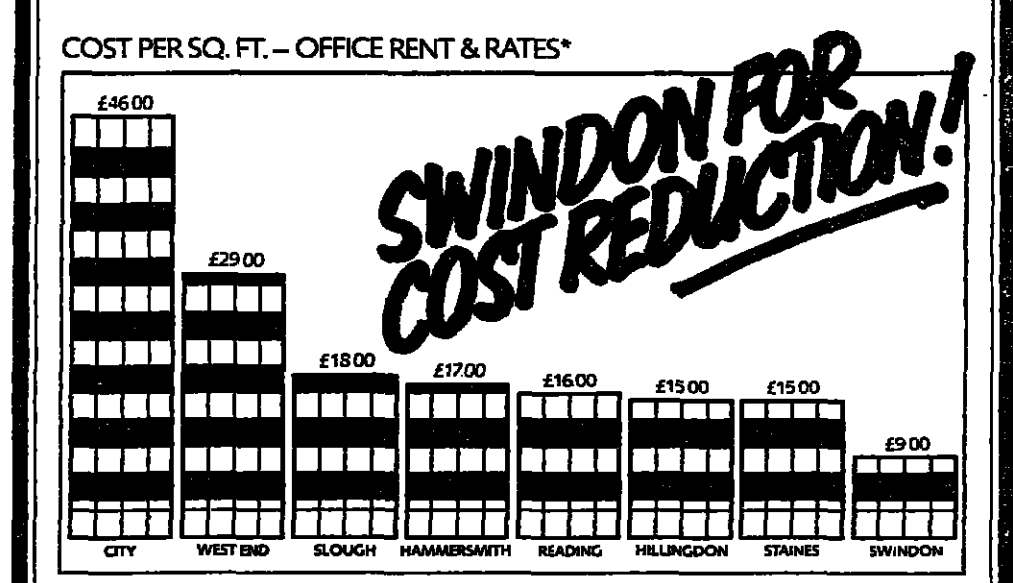
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Much the same went for the

mechanical sector - although it remains deeper in the trough of recession than the electricals business - and for vehicle manufacturers, who were able to reduce their stocks of unsold cars.

Members of the government parties continue to seize on every scrap of positive evidence about the economy in the run-up to next Sunday's general election.

The IFO survey - traditionally one of the most reliable of independent reports on West Germany's business climate - does indicate that there are some genuine grounds for optimism, despite unemployment now at around 2.5m and rising.



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\*Extract from Office Developments in the Western Corridor, Knight Frank & Pilling July 1982.

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# STATISTICAL TRENDS: STEEL

## Production decline varies widely

IN 1982, world steel production fell sharply for the third successive year, reaching a point below the 1973 level. Prospects for the future seem gloomy.

Last year the European Commission predicted that demand for finished products in 1983 would still be slightly below that in 1978. The Organisation for Economic Co-operation and Development (OECD) sees no grounds for optimism.

Underlying the crisis in steel are a number of factors, not least of which is of course the sharpness of the general recession. Since 70 per cent of steelmaking is related to capital investment — to machinery and construction, which tend to be the "leaders" in the recession — demand for steel was bound to drop in response.

In addition, there has been both a fall in production in motor vehicles and a decline in the amount of steel used

far eastern markets and even a small slice of the Japanese home market.

The enormous growth of output achieved in the period 1960-74 depended substantially on exports to the developing countries. Net exports grew from 12m to 43m tons. But since then, they have hardly increased at all, as the expansion of production of steel in these areas has been twice as fast as their consumption.

While the severe problems suffered by particularly Brazil and Mexico is bound to affect future capacity growth, there is no prospect of a return to the situation of steel production being confined to the advanced countries.

The massive losses suffered by the large steel-producing companies have led to attempts to cut capacity, but by no means uniformly. Italy, for example, only began to cut back last year. The general effect of the crisis in steel has been to sharpen trading tensions.

The U.S., as a relatively uncompetitive producer, has seen the most rapid effects on its domestic market, though in fact the surge in European exports to America occurred in 1981. The shrinking of the U.S. market is responsible for the higher import penetration in 1982.

The rationalisation of steel has led to drastic falls in employment, hitting particular regions very sharply. It has also led to an acceleration of technical change.

The figures on production by process reveal wide differences, pointing out the relative technical backwardness of the U.S. and even more of the USSR and Eastern Europe.

The data on direction of trade shows the diversification of Japanese markets, but the crucial importance of Asia. The EEC producers trade overwhelmingly with each other and with other European countries.

Commentary by Our Economics Staff; data analysis by Financial Times Statistics Unit; charts and graphs by Financial Times Charts Department.

per car.

While production of steel fell in almost every major industrialised country in 1982, the margins of decline varied widely, with the U.S. suffering the biggest fall by far.

In contrast, nearly every developing country saw production rises, especially the East Asian producers. Although the share of world production represented by the "newly industrialising countries" remains small, it presents a threat to the older producers in particular markets, as well as increasing the problem of overproduction.

South Korea, for example, still imports 40 per cent of its consumption, but exports over half its production. It has been taking parts of Japan's

### Background

	GROWTH RATES OF REAL DOMESTIC FIXED CAPITAL FORMATION			
	(% p.a.)		(% p.a.)	
	1960-73	1973-81	1960-73	1973-81
Belgium	5.1	0.9	5.2	-2.0
France	7.6	0.4	6.8	1.7
W. Germany	4.4	0.9	3.4	1.2
Italy	4.3	0.9	4.1	-1.1
Netherlands	5.7	-1.0	5.9	1.7
UK	4.5	-0.9	1.5	0.6
W. Europe	5.6	0.3	4.8	1.2
U.S.	4.5	-0.4	4.4	4.5

Source: Economic Commission for Europe

### Steel

	FIXED INVESTMENT							
	(% changes)							
	Investment goods	Construction	Investment goods	Construction	Investment goods	Construction	Investment goods	Construction
	UK	U.S.	W. Ger	Japan	UK	U.S.	W. Ger	Japan
1977	3.6	16.0	8.1	2.5	-7.0	11.5	1.2	1.7
1978	7.0	13.8	8.3	6.6	0.6	5.8	2.6	6.6
1979	9.1	6.2	9.5	11.8	-6.3	1.1	5.7	-1.0
1980	2.7	-2.6	2.5	6.5	-8.5	-11.5	3.7	-9.6
1981	-6.5	2.4	-3.4	1.7	-10.1	0.7	-4.2	-1.1
1982	-0.9	-5.2	-7.4	-0.4	7.9	-4.8	-7.1	-4.2

Source: OECD

### Production

INDUSTRIAL COUNTRIES: STEEL PRODUCTION (m tonnes)		TOP TEN STEEL PRODUCERS, 1981	
	1982	Output (m tonnes)	1981
USSR	147.5	Nippon Steel	29.44
Japan	99.5	U.S. Steel	21.22
U.S.	65.7	Bethlehem	15.16
W. Germany	35.9	NKK Steel	14.55
Italy	24.0	Finisider	13.90
France	18.4	BSC	13.34
Poland	15.0	Thyssen	11.81
Czechoslovakia	15.0	Kawasaki	11.40
UK	13.8	Sumitomo	11.38
		Arbed	11.02
		Share of top ten in IISI production	21.7%

Source: IISI

Source: Metal Bulletin

STEEL PRODUCTION IN DEVELOPING COUNTRIES (m tonnes)			
	1981	1982	% change
Brazil	13.2	13.0	-1.62
S. Korea	10.8	11.8	+9.30
India	10.8	11.0	+2.05
Mexico	7.6	7.1	-7.17
N. Korea	5.5	5.8	+5.45
Taiwan	3.1	4.1	+32.75
Argentina	2.5	2.9	+16.00
China	35.4	37.0	+4.52

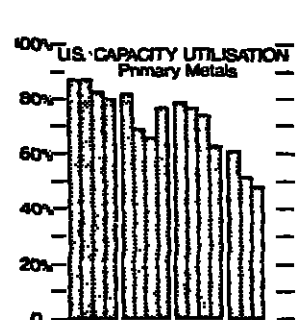
Source: IISI

APPARENT STEEL CONSUMPTION			
Kg per capita crude steel equivalent		1978	1980
U.S.	314	314	308
France	132	132	137
UK	227	227	247
Italy	52	52	458
Japan	94	94	629
USSR	103	103	562
China	7	7	45
Brazil	8	8	116
Mexico	11	11	152
Spain	15	15	233

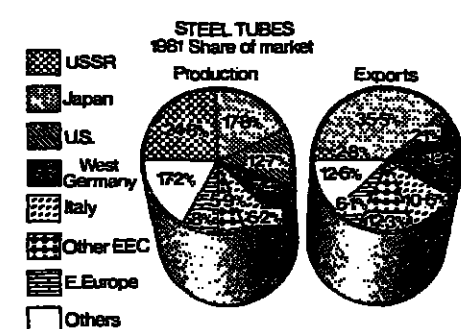
Source: Economic Commission for Europe

STEEL PRODUCTION BY PROCESS (%)			
	Open hearth	Oxygen converter	Electric
Japan*	11.2	75.2	24.6
U.S.*	3.9	61.1	27.7
W. Germany*	3.9	80.2	15.8
Italy	1.7	45.3	53.0
USSR	60.2	29.2	10.1
India	57.9	20.4	20.0
S. Korea	1.2	69.2	29.7
Taiwan	—	32.9	47.1
Poland	46.7	39.3	14.1
E. Germany	62.4	9.2	26.9
Brazil	9.1	64.9	26.0

\* 1981. Remainder 1980. Source: Metal Bulletin

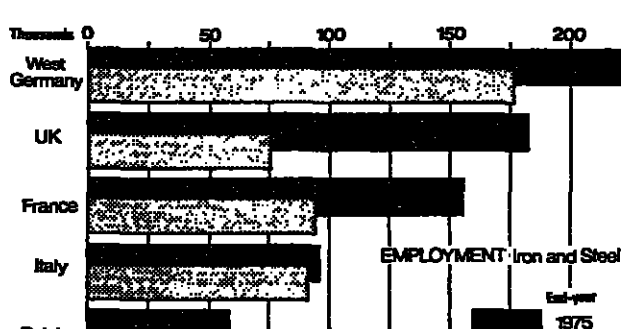


### Labour

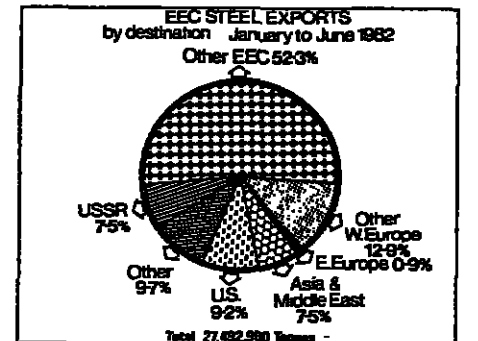
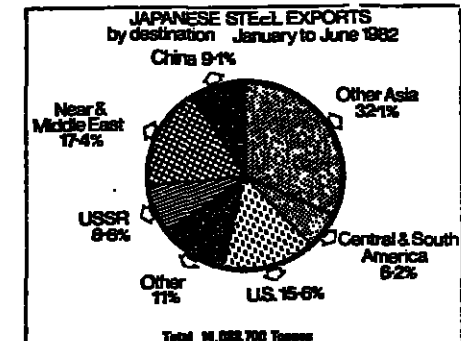
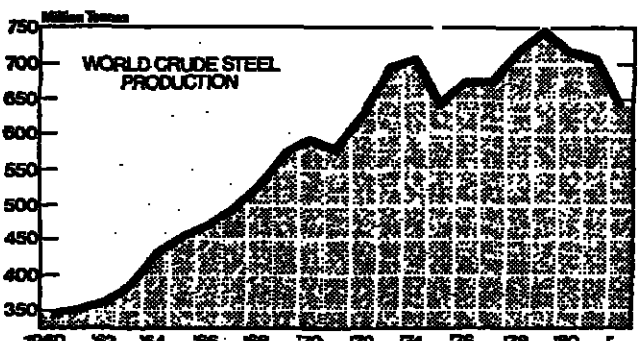
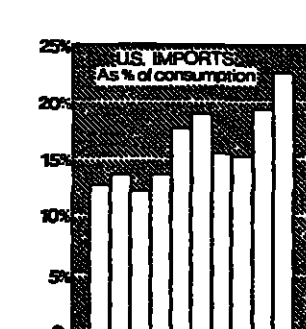


EEC — PRODUCTIVITY			
	Crude steel production m tonnes	Average number employed 000s	Tonnes produced per person employed
1970	137.6	790	174
1975	125.2	767	163
1979	140.7	680	207
1980	127.7	636	201
1981	125.1	569	220
1982	110.4	534	207

Sources: Eurostat & EEC Commission



### Trade



### Capacity

WESTERN STEEL PRODUCTION AND CAPACITY (m tonnes)			
	1981	1982	1983
Steel production	460	420	470
Less: User inventory accumulations	-10	-15	-5
Steel consumption	470	435	465
Steelmaking capacity	565	545	540
% operating rate	81.4	77.1	87.0

LATIN AMERICAN STEEL CAPACITY		
	Installed capacity 1980	Future capacity† 1990
Argentina	5.0	11.9
Brazil	14.0	48.9
Colombia	0.5	1.9
Mexico	9.5	17.3
Venezuela	2.5	10.4
Central America	1.1	1.5
Other	1.4	5.8
Total	36.0	89.7

\* If all projects carried out. † If 70% of projects carried out. Source: Economic Commission for Latin America

### NEW ISSUE

This announcement appears as a matter of record only.

February 1983



## Kingdom of Denmark Yen Bonds Series No. 7 (1983) 15,000,000,000 Japanese Yen 8.3% Bonds due 1993

Daiwa Securities Co. Ltd.

Yamaichi Securities Company, Limited The Nomura Securities Co., Ltd. The Nikko Securities Co., Ltd.

The Nippon Kangyo Kakumaru Securities Co., Ltd. New Japan Securities Co., Ltd.  
Sanyo Securities Co., Ltd. Wako Securities Co., Ltd. Kokusai Securities Co., Ltd.  
Merrill Lynch Securities Company, Smith Barney, Harris Upham International Incorporated,  
Dai-ichi Securities Co., Ltd. Okasan Securities Co., Ltd. Osakaya Securities Co., Ltd.  
Tokyo Securities Co., Ltd. Yamatane Securities Co., Ltd. Bache Halsey Stuart Shields (Japan) Ltd.,  
Marusan Securities Co., Ltd. The Kaisei Securities Co., Ltd. Koyanagi Securities Co., Ltd.  
Nichiiei Securities Co., Ltd. The Toko Securities Co., Ltd. Toyo Securities Co., Ltd.  
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Meiko Securities Co., Ltd. Mito Securities Co., Ltd. Naigai Securities Co., Ltd.  
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## WORLD TRADE NEWS

## U.S. company to run new \$400m paper plant in Indonesia

By Richard Cowper in Jakarta

GEORGIA PACIFIC, the US timber company, has signed a joint venture contract with the Indonesian Government and a private Indonesian company to operate a \$400m kraft paper plant in Northern Sumatra.

Georgia Pacific will take a 25 per cent equity stake in the venture, while the Indonesian Government will take 50 per cent and PT Alas Helau, a private Indonesian timber company, will take the remaining 25 per cent. The plant will be managed and operated by Georgia Pacific and is due to come fully on-stream in 1985. It will have a capacity to produce 180,000 tonnes of kraft sack paper and kraft paper per year.

A substantial proportion of the financing for the project will come from Japan. The Export-Import Bank of Japan is expected to come up with around \$214m to cover supplies and construction work provided by Hitachi Zosen and Nichi-

men, both of Japan. The rest is expected to come in the form of commercial loans financed through Salomon Brothers of New York.

According to Mr Hartono Indonesia's director general for basic chemical industries, the Government had become increasingly concerned at the country's growing import bill for paper products. These imports have almost doubled in the last five years from about \$120m in 1977 to an estimated \$215m last year.

In addition to the kraft paper plant in North Sumatra the Government is also planning another paper plant at Cilacap in central Java. Mr Hartono says that when both these are on-stream by 1988 Indonesia will be more than self-sufficient in kraft paper.

Georgia Pacific is one of the most successful integrated timber companies in Indonesia. It has expanded its operations rapidly in the past few years.

## Canada, U.S. air fares row

By Nicholas Hirst in Toronto

AN EXTRAORDINARY row over cheap flights has broken out between the U.S. and Canada. It could prevent 50,000 Canadians from using discount tickets.

In an unprecedented action the U.S. Civil Aeronautics Board, backed by President Reagan, has outlawed bargain rate fares offered by Air Canada to American cities.

The U.S. State Department has said that passengers holding the cheap tickets will be denied entry into the U.S. The Canadian Government has threatened retaliation against six American carriers given permission to match the Air Canada cut rate tickets.

Negotiations were continuing at the weekend to resolve the dispute.

The row is rooted in a long-standing disagreement between the U.S. and Canada over air routes and fares between the two countries.

## Moscow moves to expand Buenos Aires link

By Jimmy Burns in Buenos Aires

"LEARN RUSSIAN, your country needs it," headlined a recent advertisement in the Argentine press. Beneath it, the announcement that a learned Moscow language professor was coming to Buenos Aires looked odd squeezed between reports of political crises and foreign debt problems. But it does epitomise the peculiar importance this authoritarian Latin American state attaches to its relationship with the Soviet Union.

A sense of this importance was underlined with the arrival in Buenos Aires last week of a high level trade mission headed by Mr Boris Gordeev, the Soviet deputy minister for commerce. This is being followed this week with a visit to Moscow by a team from the Argentine Ministry of Industry and Mining.

Thanks largely to Argentina's refusal to go along with the U.S. grain embargo against the Soviet Union in January, 1980, Buenos Aires has carved out for itself and maintained a considerable niche as one of Moscow's major suppliers of grain.

In 1980 the USSR quadrupled its purchases of Argentine grain and oil feed to 7.58m tons from 1.98m in 1978. Last year an estimated 75 per cent of Argentina's exported grains surplus went to the Soviet Union.

The Gordeev mission is in Buenos Aires to discuss expanding current Soviet-Argentine trade ties which are focused on a five-year grain agreement signed in 1980. The agreement allows for the USSR to buy a minimum of 3m tons of maize, 1m tons of sorghum and 500,000 tons of soy beans annually. Until now the Soviet Union has given little indication of reducing its purchases from Argentina as a result of the lifting of the U.S. embargo. On the contrary, Argentine officials hope to exploit their reputation in Soviet circles as a "reliable trading partner."

There is a feeling in Buenos Aires, however, that the Soviets may be losing patience in what has developed into a somewhat imbalanced relationship. Since 1980 Argentine grain exports to the Soviet Union have extended beyond the range of the medium-term agreement to include wheat. But while the Soviet Union has become one of Argentina's main sources of foreign exchange, Argentine

imports from the USSR have not kept pace. Recent trade figures are not available, but in the first 10 months of 1982, Argentine exports to the Soviet Union are estimated at \$1.4bn compared to imports of \$21m.

Arguably the figures understate the nature of the Soviet presence in Argentina. This goes beyond the over-sized Soviet embassy and the regular cultural visits, including the highly popular Moscow circus.

Slowly but surely, in recent years the Soviets have taken advantage of the equivocations of the Europeans and the U.S. and have established a foothold in two strategic areas of Argentine industry: nuclear power and hydro-electricity.

Argentina has been the subject of concern in the Vienna-based International Atomic Energy Agency on account of its refusal to sign the 1988 international non-proliferation treaty (NPT) or to ratify a 1967 treaty banning nuclear weapons development in Latin America.

Buenos Aires has doggedly pursued its objective of building seven nuclear power stations by the end of the century and has kept its options open on whether to go for peaceful or hostile uses. The true extent

of Soviet nuclear co-operation has been a well-guarded secret, but it is understood to include the sale of heavy water for Argentine reactors and sizable quantities of enriched uranium.

In hydro-electricity, Soviet turbines are already installed near the 1,620 MW Salto Grande dam near Uruguay. The Soviets have drawn up technical studies for a \$10bn project on the Parana River, and are bidding strongly for the main turbine contracts for the 1,400 MW hydro-electric plant at Piedra de Aguila in southern Argentina.

The Piedra de Aguila project will be at the centre of this week's mission to Moscow although a final decision will need to take second place to Yacireta, the multi-billion hydro project for which the Italians and French are bidding.

The Soviets have a strong negotiating position with Buenos Aires, not only on account of the fact that a sudden cut-off in grain purchases could leave the Argentine economy in tatters. Argentine officials are aware of this and are understood to have made continuing need not to upset Soviet diplomatic support on account of trade.

Since the current military regime was established in 1976, Soviet-Argentine commercial ties have improved. The Soviets have remained mute on the subject of Argentine human rights in international forums at a time when Buenos Aires was subject to a hammering from U.S. and European democrats.

During the Falklands war, the Soviet Union was more ambiguous. Nevertheless, the locally-tolerated Argentine Communist party was instrumental in gathering support from Iron Curtain countries at the UN.

Against this must be set the continuing in-built prejudice among some sectors of the Argentine armed forces against anything that smacks of "Marxist encroachment" into Argentine affairs—commercial or otherwise. Undoubtedly, this lies behind the relative failure of the Soviets so far to make any significant progress in the area of arms sales to Argentina.

Although Soviet SAM missiles are understood to have made their way into the hands of the Argentine army after being purchased from Israel and Libya,

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## SHIPPING REPORT

## Uncertainty despite fall in oil prices

By Andrew Fisher, Shipping Correspondent

THE TANKER market remained in limbo last week, with operators pleased at the cuts in oil prices but uncertain about how the pricing structure would settle down.

Galbraith Wrightson said the market was suffering from suppliers' non-decisions on collective and acceptable cuts. In the meantime, buyers were holding off and tankers were not being fixed in any volume.

Both the Gulf and West Africa remained slack, though there was a little more interest in Nigerian oil after the price

reductions. Galbraith thought this could be the first market to improve.

● Norway's shipping industry is pinning its faith on staff cuts, long-term cargo agreements and technology to survive the present crisis.

Mr Atle Jensen, president of the Norwegian Shipowners' Association, said in London that 1983 would still be a hard year. But the new process "will bring us less painfully through the crisis and lay the basis for a much healthier future."

## Sharp fall in French electronics surplus

By David Marsh in Paris

THE BUOYANCY of consumer spending in France last year led to a sharp fall in the country's traditional surplus on electronic and electrical products, according to provisional figures from trade associations.

The largest single factor behind the weakening trade performance seems to have been imports of video-recorders, which rose to 865,000 last year from 260,000 in 1981. About 1.1m of the machines are now owned in France — about one for every 20 households — according to trade statistics.

The Federation of Electrical and Electronics Industries puts the trade surplus in electrical and electronics products at FFf 70m (\$103m) last year, a sharp drop from the FFf 7.4bn registered in 1981.

The trade deficit in equipment which the French are trying to develop as part of the Government's

electronics programme doubled to about FFf 12bn from FFf 6bn in 1981.

Imports of all electrical and electronics goods rose by 26.9 per cent to FFf 80.4bn, while exports increased only 10.7 per cent to FFf 61.1bn.

Trade in electrical plant and professional electronics — both traditional strong points for French industry — showed surpluses of FFf 8.3bn and FFf 7.5bn respectively. Telephones chalked up a surplus of FFf 1.7bn, and cables FFf 1bn.

In an analysis of "leisure electronics" sales the Association of Radio and Television Equipment Manufacturers said the overall French market grew 25 per cent in 1982 to FFf 17bn. French production rose 18 per cent to FFf 12bn, exports grew 18 per cent to FFf 1.4bn while imports leapt 30 per cent to FFf 8.75bn.

## Improved Results 1982



In 1982, Badische Kommunale Landesbank, Mannheim, continued its course of profit-oriented growth. A substantial improvement in operating results enabled the Bank to increase risk provisions, achieve an adequate return on capital, and further strengthen the reserves. At year-end, the balance sheet total reached DM 22.7 billion, a rise of 3.6% over the previous year.

Loan volume was expanded, especially lending to German corporate customers and financing of larger-scale construction projects. BAKOLA bonds were again the primary funding source. The total volume of the Bank's own paper outstanding at year-end amounted to some DM 11 billion.

BAKOLA's foreign activity featured export financing and project financing as well as commercial business. At the end of 1982, the Bank's representative office in London was upgraded into a branch operating as licensed deposit taker.

The branch's main activities are Eurocurrency deposit business as well as non-recourse export financing (à forfait).

Badische Kommunale Landesbank International S.A., wholly-owned subsidiary in Luxembourg, put its service emphasis — apart from Eurocredits — on money market and foreign exchange transactions.

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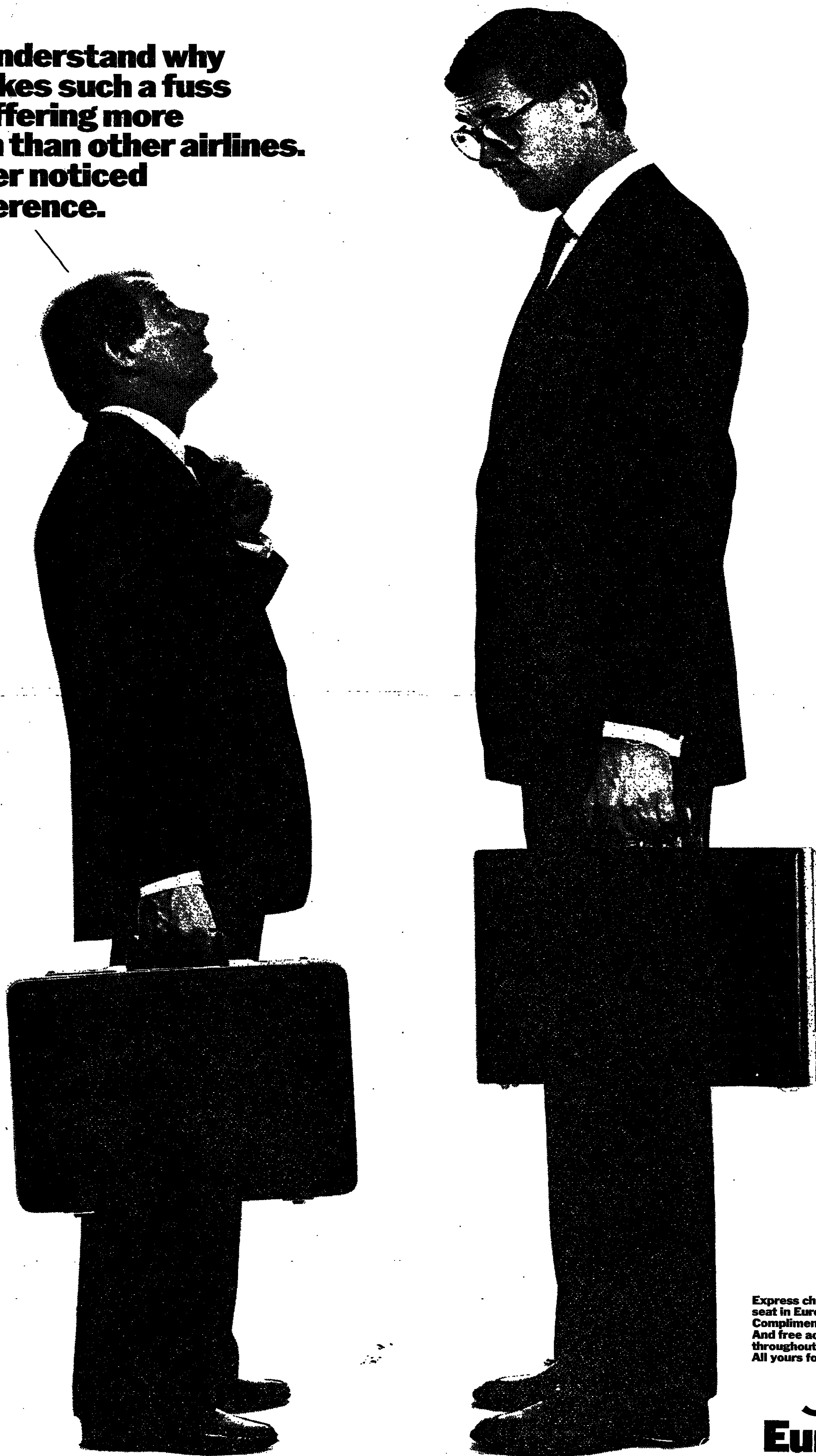
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## UK NEWS

FEWER JOBS? NO, SAY EMPLOYERS

## Challenge on IT impact

BY WILLIAM COCHRANE

FORECASTS that the impact of new technology on office employers will mean substantial job losses and reduced demand for office space are challenged by a new report from the academic centre of the UK property industry.

The Centre for Advanced Land Use Studies (CALUS) at the College of Estate Management, Reading, says its evidence suggests the use of information technology (IT) will reduce the number of staff required to maintain constant level of business.

It says, however: "The majority of respondents did not feel that IT has had a significant effect upon actual employment."

The report also concludes that IT has had a much more significant impact upon the qualitative than the quantitative aspects of demand for office space.

"It is considered unlikely that the total demand for office space will fall over the next five to 10 years," it says, "although IT may well damp-

en the level of increase. The type of office buildings demand may, however, change considerably."

CALUS acknowledges that IT has developed at "a truly astonishing rate" - defining IT for its report as the application to office activities of new technological developments, many of which are based upon microprocessors.

"If the automobile industry had developed at the same rate as the microelectronics industry over the last 30 years," it says, "it has been estimated that a Rolls-Royce would cost a mere £1.39, would do 3m miles to the gallon and would develop enough power to drive the QE2."

In this context it says property has been traditionally regarded as a long-term investment but that it is no longer possible - "if indeed it ever was" - accurately to predict the demand for office accommodation in the long term.

"All that can be said for certain," says CALUS, "is that change is inevitable."

The report continues: "As the technology becomes smaller, lighter and more flexible, the demands it places upon property are reduced and office activities can consequently be performed from a wider range of property."

Office locations can, and will be more widespread as a result.

"IT has increased the choice of suitable locations for many of the functions currently conducted in office agglomerations in expensive downtown locations," says CALUS, "but although the availability of information technology is necessary for decentralisation of office activities, it is not a sufficient reason for it."

Given the increased uncertainty, investors in office property are expected to attach increased importance to security in the future to reduce their exposure to risk.

"Flexibility," it says, "will emerge as an even more important investment criterion."

## Car chiefs resign in West Germany as Leyland reorganises

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE managing director and sales chief of BL's West German subsidiary have resigned as part of a shake-up, designed to strengthen the group's position in that country.

Mr Leo Meiswinkel, the managing director who has been 24 years with Leyland Germany, and Mr Rudi Omisch, sales manager for the past six years, will both receive substantial severance payments, according to BL.

West Germany is Europe's biggest car market with 1982 registrations of 2.1m, but BL's sales there last year were only about 8,000, down from 7,000 in 1981.

However, the UK group believes that the new Maestro medium sized car, to be launched formally tomorrow, could have considerable appeal in Germany.

"But if we are to improve our performance - and we are determined to do so - we must improve the dealer network and improve our image," a BL spokesman said.

BL has about 280 dealers in Germany and the number will probably decrease in the changes to come.

The group is following the pattern set in the UK. From April, the sales effort in Germany will be divided between three teams - one concentrating solely on Austin Rover products (Metro, Maestro, Mini, Rover and Acclaim), another on Jaguar, and the third on the four-wheel-drive vehicles, Land Rovers and Range Rovers.

BL has recruited from Ford of Germany Mr Georg Faber to act as general manager of the Austin Rover sales team. Mr Karl Heinz Schwarz has been brought in from Monsanto to head up the four-wheel-drive efforts. So far no Jaguar general manager has been named.

BL said the changes were "among the most important we have made so far on the Continent." The company pointed out that the Metro had made a considerable impact on BL's fortunes last year, helping take the group's sales in France up 39 per cent to 27,000 and those in Italy up 18 per cent to a record 32,000. The company had also recently improved its performance in Belgium and Holland.

"We are now absolutely determined to improve our performance in Germany with the adoption of this new approach and the recruitment of new expertise."

Meanwhile, in Britain, Austin Rover's determination to push the Metro into top place among Britain's best-selling cars in February, will result in the BL subsidiary paying its dealers extra bonuses totaling more than £3m.

Austin Rover had told dealers it would pay an extra £250 for each Metro sold in February and in the first 20 days of the month, 12,978 sales had been registered. "This placed Metro above Ford's Escort - the market leader since it was launched two years ago - with 10,505 sold."

Austin Rover saw the chance of topping the sales charts and thus giving a big promotional boost for its new Maestro, after Ford's exceptional January performance.

An announcement that Ford prices were to go up last month pulled forward sales so that the group's market share shot up to nearly 34 per cent. And the Escort alone accounted for 13 per cent of total new car registrations.

As a result, both Ford's and the Escort's performance could be expected to fall back substantially in February.

## Many directors take pay cuts

BY JAMES McDONALD

CHAIRMAN and managing directors of 16 per cent of companies quoted on the London Stock Exchange have accepted either a reduction or no change in their pay during the past year, according to the latest directors' remuneration survey sponsored by the Charterhouse Group.

The survey, based on the annual reports from more than 1,000 mainly quoted UK companies, says the reductions in earnings or unchanged remuneration occurred in 173 companies, "probably reflecting a fall in bonus earnings."

The median rate of increase in earnings of highest paid directors, including chairmen, declined from

almost 14 per cent to just over 10 per cent in the past 12 months.

There was a wide difference, however, between the lowest rate of increase in top directors' earnings, 4.2 per cent in the past 12 months, and the highest rate of increase of 17.9 per cent.

The reports also give some idea of the current rate of increase in directors' earnings. A salary and benefits survey of 100 leading companies carried out at the beginning of this month shows a median individual increase for company directors in general of 8.5 per cent.

Almost half the 100 companies changed boardroom and senior management pay in the period from

August last year to February this year, giving a clear indication of current trends for 1982-83, says the report.

This survey showed that few of the 100 companies awarded across-the-board rises to directors. Where they did give a general increase, a typical figure was 5 per cent.

About 7 per cent of the directors in the February sample received no increase even when others within the same company did get a rise.

About 13 per cent of the directors won basic salary increases of more than 15 per cent.

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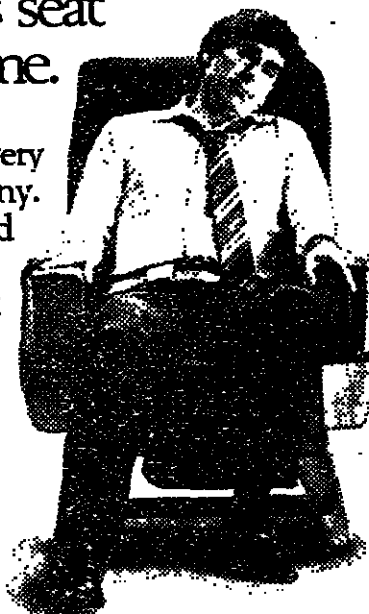
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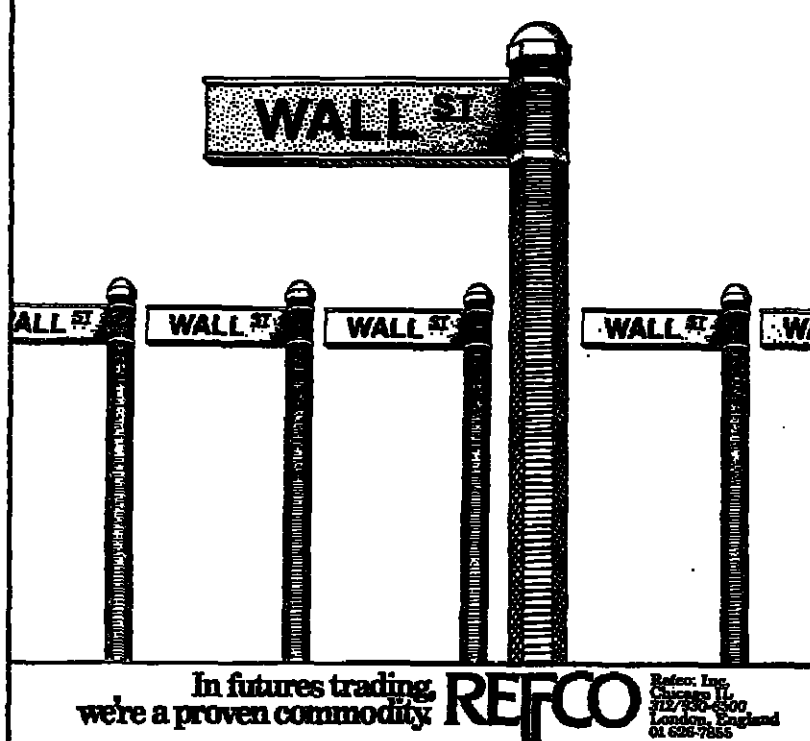
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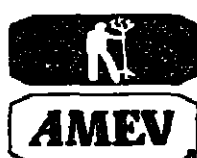
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### PROFESSOR CALLS FOR £2bn BOOST TO THE ECONOMY

## Budget 'should make tax fairer'

BY JEREMY STONE

THE BUDGET should be seen as Britain's opportunity to remove some distortions in the tax structure, says Professor Patrick Minford, of Liverpool University.

With perhaps two fifths of the workforce at the bottom of the income scale experiencing marginal tax rates of 60 to 100 per cent - in the unemployment and poverty "traps" - the Chancellor of the Exchequer should concentrate his tax remissions on tax thresholds and child benefits, claims Professor Minford.

Stockbrokers Greaveson Grant follow a similar logic in arguing for an emphasis on over-indexation of personal allowances and thresholds as the main inflationary measure in the budget.

They calculate that 12½ per cent over-indexation would take 1m people out of tax-paying altogether.

This would keep expenditure going and make a direct contribution to a consumption-led recovery.

Professor Minford said at a seminar held by stockbrokers Laurie, Milbank that a fiscal injection of £2bn net could be achieved by raising thresholds by 15 percentage points more than inflation and increasing child allowances by £1.

This measure would be consistent with a target Public Sector Borrowing Requirement of £2bn, itself consistent with the eventual objective of a nil inflation rate in the mid-1980s.

Stockbrokers Montagu Loeb Stanley also argued at the weekend that a fiscal adjustment of £2bn would be consistent with such a PSBR.

In answer to a parliamentary question last week the Government revealed that over-indexation of 10

per cent would release \$30,000 from the tax net. The electoral benefits of such a move are said not to have been lost on Premier Mrs Margaret Thatcher.

Professor Minford argued that action on tax thresholds would be more efficient in raising the level of employment than equivalent cuts in the National Insurance Surcharge, as recommended by the Confederation of British Industry.

He believed the raising of thresholds would actually lower the marginal cost of labour to employers, as the unemployed became willing to work at lower nominal wages and thus caused union wage demands to moderate.

A major union is a highly rational being, explained Professor Minford in reply to questions. He said: "Its wage claims are a mark-up over something else - in fact over the

non-union sector. And the cost of the something else would fall by about 5 per cent, on this proposal."

Professor Minford predicted that UK inflation will fall almost to zero during the next three years under a re-elected Conservative Government, in contrast to most recent forecasters, who have expected accelerated price rises starting later this year.

In this context, he was optimistic about the trend in labour cost and in nominal interest rates. Under present policies, he thought, cost-push inflation was not much of a force in the UK economy. "Unions have an impact on employment, not inflation," he said.

As nominal interest rates dropped, following the trend of inflation, consumer demand would increase, as savers reduced their nominal savings targets.

### Union warns of crisis in chemical industry

BY CARLA RAPPOPORT

BRITAIN has shed more jobs and shut down more production capacity in its chemicals sector than any other country in Western Europe, according to the General, Municipal, Boilermakers and Allied Trades Union.

Even so, the union claims that Britain's chemical industry continues to face a serious crisis. "They have tied the tourniquet so tight that the patient is having great difficulty in surviving the treatment," states the GMBATU in its 1983 Chemical Industries Review.

Mr David Warburton, national officer of the GMBATU, blamed the Government for the bulk of industry's troubles. "The Government's disregard of British industrial potential, its squandering of North Sea oil and gas resources and its

dogmatic attitude toward energy prices are the major reasons."

Mr Warburton predicted that chemical production in the UK will increase at only about 1.5 per cent a year over the next few years, compared with production increases in Europe of between 2.5 per cent and 3 per cent. Britain's lower level will be due to lower capital investment, heavy import penetration and lower competitiveness on raw material costs.

The union also points out that Britain has closed down 32 per cent of its 1980 production capacity, compared with an overall figure of 18 per cent for Western Europe. As a result, it predicts that UK production could not even supply the depressed UK demand for some of the primary bulk petrochemicals.

### Employers urged to help working women

BY LISA WOOD

A MINORITY of women in top jobs indicates a neglect of available resources, Baroness Lockwood, chairman of the Equal Opportunities Commission, has said.

She called for change in attitudes by employers so that women could combine a career and a family.

Baroness Lockwood, opening a two-day conference in Blackpool on women managers, said that management had been in the male image for too long. The time was ripe for attitudes to change. But this relied on an acceptance from employers that a problem existed.

"Women are expected to fulfil their biological role, but at the same

time if they choose to follow a career, they are expected to accept the same terms as their male colleagues. The only difference is, of course, that their male colleagues can have one, two or even more babies without it breaking their career pattern," she said.

It was quite remarkable, said Baroness Lockwood, that this attitude should prevail at a time when 82 per cent of all married women, between the ages of 16 and 59, were at work.

She said that while in 1973, only 177 women had enrolled on university management courses, this had increased to 770 by 1977.

### Business loan scheme will run full three years

BY TIM DICKSON

THE UK Government's Loan Guarantee Scheme is assured of a future after the £300m currently available runs out.

Ministers will allocate sufficient funds, probably a further £300m, to allow the pilot project to run its full three years to June 1984, and will leave the conditions largely unchanged.

Details will be announced by the Chancellor of the Exchequer in the budget, accompanied by a new package aimed particularly at helping companies once they have borrowed the money.

The scheme has been one of the Government's most popular measures to help small businesses.

Under it the Department of Industry guarantees 80 per cent of "approved" loans up to £75,000,

charging borrowers a 3 per cent premium on the guaranteed amount. This premium "income" is then used to offset claims when businesses fail.

The scheme aims to overcome the difficulties traditionally encountered by small companies.

Much attention has been paid to the failure rate - anything between one in five and one in 20 - but the Government has been more impressed by the number of jobs created by those businesses which have survived.

Ministers have decided against making major changes. The £75,000 upper limit will not be raised, banks will continue to fund 20 per cent of the risk and borrowers will continue to be able to get money without pledging personal security.

### Foot critical of Ulster trip

By Margaret Van Hattem

THE REFUSAL of Mr Ken Livingstone, the Greater London Council leader, to meet political groups other than Sinn Féin during a private visit to Northern Ireland at the weekend, has brought sharp criticism from Labour Party members. Mr Michael Foot, the Labour leader, said Mr Livingstone did not appear to have grasped that Sinn Féin was a terrorist organisation.

### INTERNATIONAL COMPANY FORMATIONS

UK Non-Resident  
Isle of Man  
Iberia  
Panama  
Jersey

Tel 01-253 5030  
London & Rome Ltd  
Jardines House, 15 Abchurch Lane  
London EC4N 3DF  
Telex 2451010 Jordans

### BLOCKER EXPLORATION 1981 N.V.

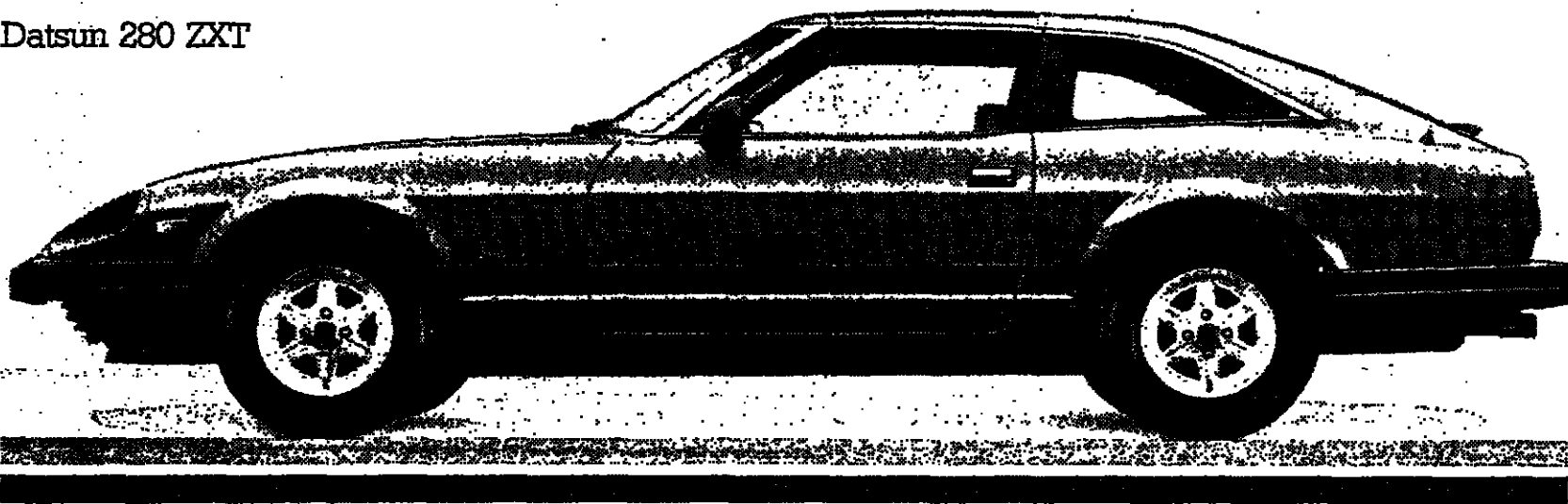
PRESS RELEASE REGARDING SPECIAL GENERAL MEETING OF SHAREHOLDERS SCHEDULED FOR MARCH 30, 1983

A Special General Meeting of the Shareholders of Blocker Exploration 1981 N.V. (Blocker Exploration) will be held at De Buitenvoortse 10, Amsterdam, Netherlands, on Wednesday, March 30, 1983 at 10.00 a.m. Cerezo time, for the following purposes: (1) to authorize any and all members of the board of managing directors to consent on behalf of the corporation to (a) the sale of all of the producing oil and gas properties owned or controlled by Blocker Exploration, (b) the sale of the corporation to a general partner, for a consideration of 100% of the net assets of the corporation, (c) the sale of the corporation to a general partner, for a consideration of 100% of the net assets of the corporation, (d) the sale of the corporation to a general partner, for a consideration of 100% of the net assets of the corporation, (e) the sale of the corporation to a general partner, for a consideration of 100% of the net assets of the corporation, (f) the sale of the corporation to a general partner, for a consideration of 100% of the net assets of the corporation, (g) the sale 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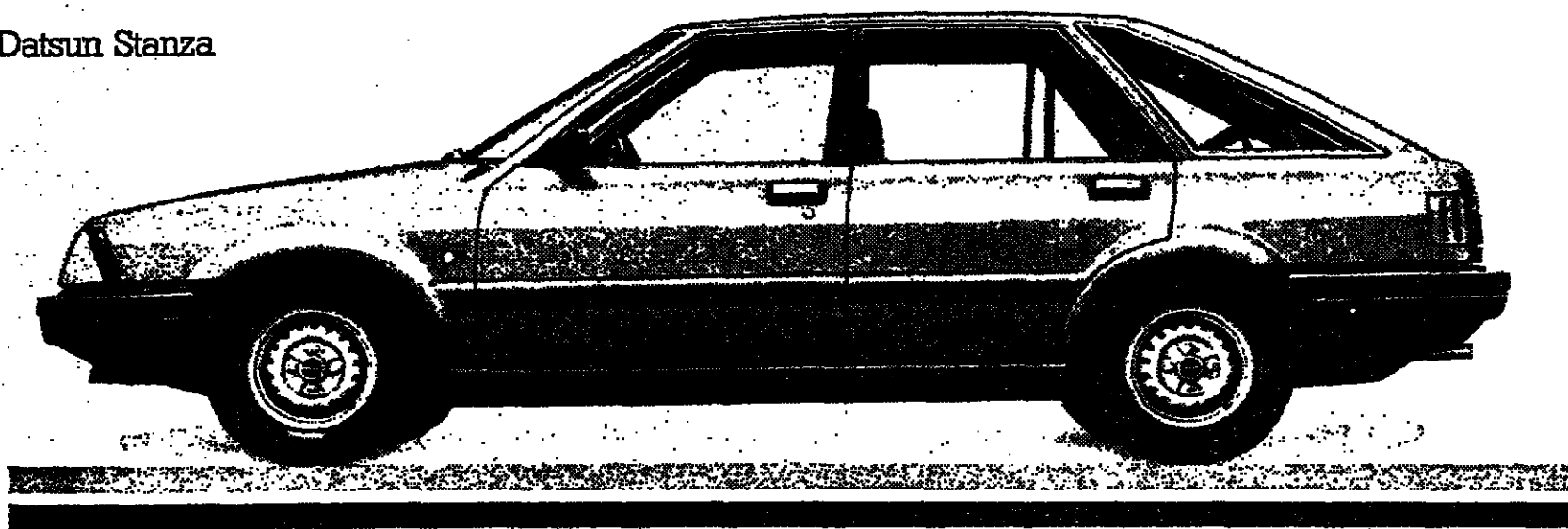


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WE SERVICE THEM.  
IT'S ABOUT TIME WE PUT  
OUR NAME TO THEM.**

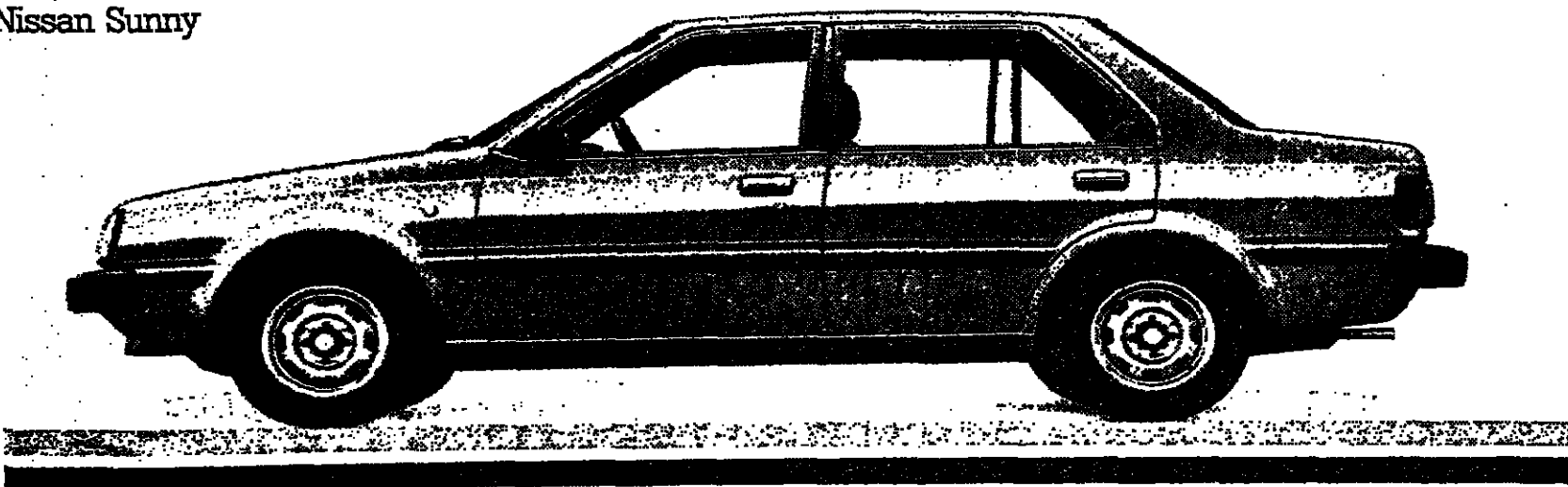
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**DATSUN Perfection from NISSAN Technology**

## Concern over companies' underlying security

BY JOHN MOORE, CITY CORRESPONDENT

"I BELIEVE that there are hundreds of insurance companies around the world who could be viewed as technically insolvent at this point in time."

This startling statement was made at a recent seminar on insurance security by a representative of the Sedgwick Group, Britain's largest insurance broker.

The observation reflects the growing anxiety among many insurance professionals about the difficulty in forming a reliable assessment of the underlying security of companies with which they do business—either as brokers placing business with insurance companies, or as insurance companies taking out their own insurance protection with reinsurance groups.

The Sedgwick representative told a recent seminar organised by the British Insurance Brokers Association, "Insurance market security is now a science."

Yet while it is recognised that security assessment is a vital adjunct to insurance management, establishing hard and fast reliable formulae for scrutinising the reliability of the companies which offer insurance protection remains a serious problem.

There are many reasons why security assessment within the

insurance community is such a hit-and-miss affair. The world's insurance markets have become more fragmented as the number of participants has grown.

The growth in the number of reinsurers, attracted by the cash flow prospects of the business, the entry into the business of more intermediaries seeking to exploit reinsurance possibilities, and the growth of the brokers firms seeking to exploit to the fullest possible extent the returns on the premiums produced by their largest accounts, have made reliable security assessment virtually impossible.

This is because every link in the insurance and reinsurance chain back to a risk has to be assessed to make a comprehensive security evaluation.

The internationalism of insurance business has added to the uncertainty. Insurance risks have become increasingly atomised over the last few years—scattered throughout the world through a wide range of reinsurance networks.

While one country's regulatory authorities may insist on adequate disclosure and reporting provisions, another's may not. Very few insurance specialists have a clear idea of the quality of security which is supporting the insurance risks.

Most larger brokers have

formed security committees in an effort to produce more reliable analyses of the companies with which they do business.

Sedgwick, in its address to the Association, stressed that a number of factors should be examined when assessing security in the company insurance market.

It said the capital, all reserves, classes and type of business, investments, liquidity, profit and financial trends should be examined. In addition, brokers and insurers own solvency tests should be applied to the companies with which they intend to do business.

Other factors it suggested should be taken into account were a company's domicile and whether that company was a domestic insurer or had experience of transacting overseas business. Its size and reputation in its own market should be considered.

The ultimate ownership of the company and its inter-company relationships should be looked at, particularly inter-company loans and borrowings.

The reinsurance programme, said Sedgwick, should be studied. There should be an

understanding of who is paying for what in the reinsurance chain.

The type of business underwritten should be examined. Note should be taken when a company starts to underwrite a class of business with which it has had no experience. Agency agreements for insurance pools, underwriting agencies, binding authorities—all types of delegated insurance mechanisms—need to be checked thoroughly.

Powers of attorney, management agreements, and who physically is responsible for signing the cheques on claims, and whether the agency can keep the money, need to be understood.

In addition, Sedgwick urged a study of the professionalism of the managements of companies with which insurers are proposing to do business within their community and an examination of whether there is continuity in the management and whether insurance claims are handled speedily and correctly. Currency and government supervision and regulations need to be understood fully.

The task of security assessment may be easier for Sedgwick by reason of its size. Its

purchasing clout and muscle places it in a good position to ask for Department of Trade returns from insurers in the UK, and other regulatory body returns, to extend its assessment of the security position of insurers operating in the UK. It would probably be more successful than most in obtaining a fuller picture of the reinsurance chain of insurance risks.

The large brokers have a competitive advantage because they have considerable resources to develop a proper security function. The smaller brokers tend to have to leave it to their clients to accept or reject the security offered.

There is considerable discussion in the UK about a collective approach to security analysis within the industry, perhaps organised by the brokers. The scale of the present operation of security assessment is enormous, even for the large brokers, runs one argument, and is likely to become even more complex in the future.

A centralised analysis service, communally funded or provided by an independent service, is needed, say members of the industry, to improve the efficiency of the insurance community.

## APPOINTMENTS

### Changes at Blue Circle

New responsibilities have been allocated to three directors of BLUE CIRCLE INDUSTRIES. From March 1 Mr Kenneth Shaughnessy, chairman and chief executive of Armitage Shanks, will also assume responsibility for Blue Circle's brick making, decorative products and international trading activities, under the new title of chief executive, bathroom and building products.

He will continue as chairman of Armitage Shanks. This move follows the decision to discontinue Blue Circle Enterprises as a separate operating division. Mr Michael Spurr, Blue Circle's technical director, will take charge of other non-cement activities—industrial minerals, minerals planning, landfill and site reclamation.

The chief executive of Blue Circle Enterprises, Mr Tony Jackson, will be appointed a

joint chief executive of Blue Circle Overseas on March 1. He will be responsible for the group's investments in Nigeria, South Africa and Zimbabwe, under the new title of BCO (Central). Mr David Baird and Mr David Stirling will continue as joint chief executives of BCO (West) and (East) respectively.

MARTONAIR INTERNATIONAL has appointed Mr Edward Bone as deputy group managing director (UK) and Dr Hans Cremer as deputy group managing director (overseas). Mr Ronald Graham has been appointed to the board as group finance director.

Mr Tony Roberts has been appointed production director of the Basingstoke division of SMITHS INDUSTRIES AERO-SPACE AND DEFENCE

SYSTEMS. He was factory manager.

Following the centralisation of the RACAL ELECTRONICS GROUP'S customer training facilities, Mr John Babb has become a director of RACAL Training Services. Mr Babb remains marketing director of RACAL-Milgo.

Mr M. J. Hesketh will be joining the partnership of ROWE AND PITMAN, stockbrokers, on April 8.

Mr Derek Blaine, formerly a vice president in the commodities division of Bankers Trust Company, London branch, has joined CREDITANSTALT-BANK-VEREIN in London as manager of a new group specialising in the provision of short-term financing for international trade.

## CONTRACTS

### Roadworks wins £2.6m orders for work in East Anglia

ROADWORKS has successfully tendered for five sewerage contracts, worth £2.6m. The schemes, all in East Anglia, include one valued at £700,000 for North Bedfordshire Borough Council and one for Tending District Council valued at £735,000. Roadworks is the civil engineering division of the Jackson Group whose shares are traded by M. J. H. Nightingale on the "over-the-counter" market.

J. F. FINNEGAN, the Sheffield-based building contractors, has won the following orders: the construction of 88 homes, with associated roads, drainage and external works, at Werrington, Peterborough, for the Peterborough Development Corporation. Contract value over £1m; 62 homes and roads at Odsal, Bradford, for North British Housing Association. Contract value nearly £1m; 22 bungalows and seven shop units in the Killamarsch (Derbyshire) central area redevelopment, for North Derbyshire District Council. Contract value nearly £1m; 42 homes on two sites at Liversedge and Cleckheaton, for the Council of the Borough of Kirkstall. Contract value over £500,000.

BABCOCK POWER has been awarded a £1.5m contract by John Brown Engineering for a waste heat recovery boiler for

the Electric Power Corporation of Burma. The boiler will be made at the Renfrew works of Babcock Power and delivered to Thapau power station by the end of the year.

Singapore Telecommunications Authority has ordered two message switching systems and ancillary equipment from STC BUSINESS SYSTEMS of Brighton. Worth about £155,000 the systems will help the authority provide store-and-forward message switching facilities with a telex access capability for commercial organisations in Singapore.

From March 1 at ALEX LAWRIE FACTORS, Banbury, Mr Andrew Hutton becomes operations director. He was financial director/company secretary. Mr David Bailey becomes financial controller and company secretary.

WILLIAM MOSS (CONSTRUCTION), part of the William Moss Group, has been awarded the contract for the conversion of an existing warehouse in Salford Road, Merton Mowbray, to a superstore, for the Leicestershire Co-operative Society. The value of the work is about £500,000. William Moss has also been awarded a laboratory relocation contract, worth about £500,000.

for Boots at its Beeston, Nottingham, site.

Krupp GST GmbH, a subsidiary of the West German heavy engineering company, has placed an order worth over £100,000, for a two-workstation FERRANTI Ceter CAM-X. One workstation will incorporate a storage graphics display, the second will have the new full colour high-definition raster display, recently introduced as part of CAM-X.

VERBON INTERNATIONAL has won a contract for the supply of ceilings and partitions, by a Turkish contractor, Kozanoglu Construction of Istanbul. The project is the cigarette factory plant for Iraq Tobacco State Enterprises, Baghdad. Contract value is £350,000. The National Building Construction Company of India, currently building two International Hotels in Doha and Mosul, Iraq, has awarded the £150,000 ceiling contract to Verbon.

Mr Harold Williams has been appointed as consultant to MOTT, HAY AND ANDERSON. He recently retired from the Department of Transport. Mr Peter Wickens has been promoted to become an associate director of Mott, Hay and Anderson Structural and Industrial Consultants.

## Business in the Lords and Commons this week

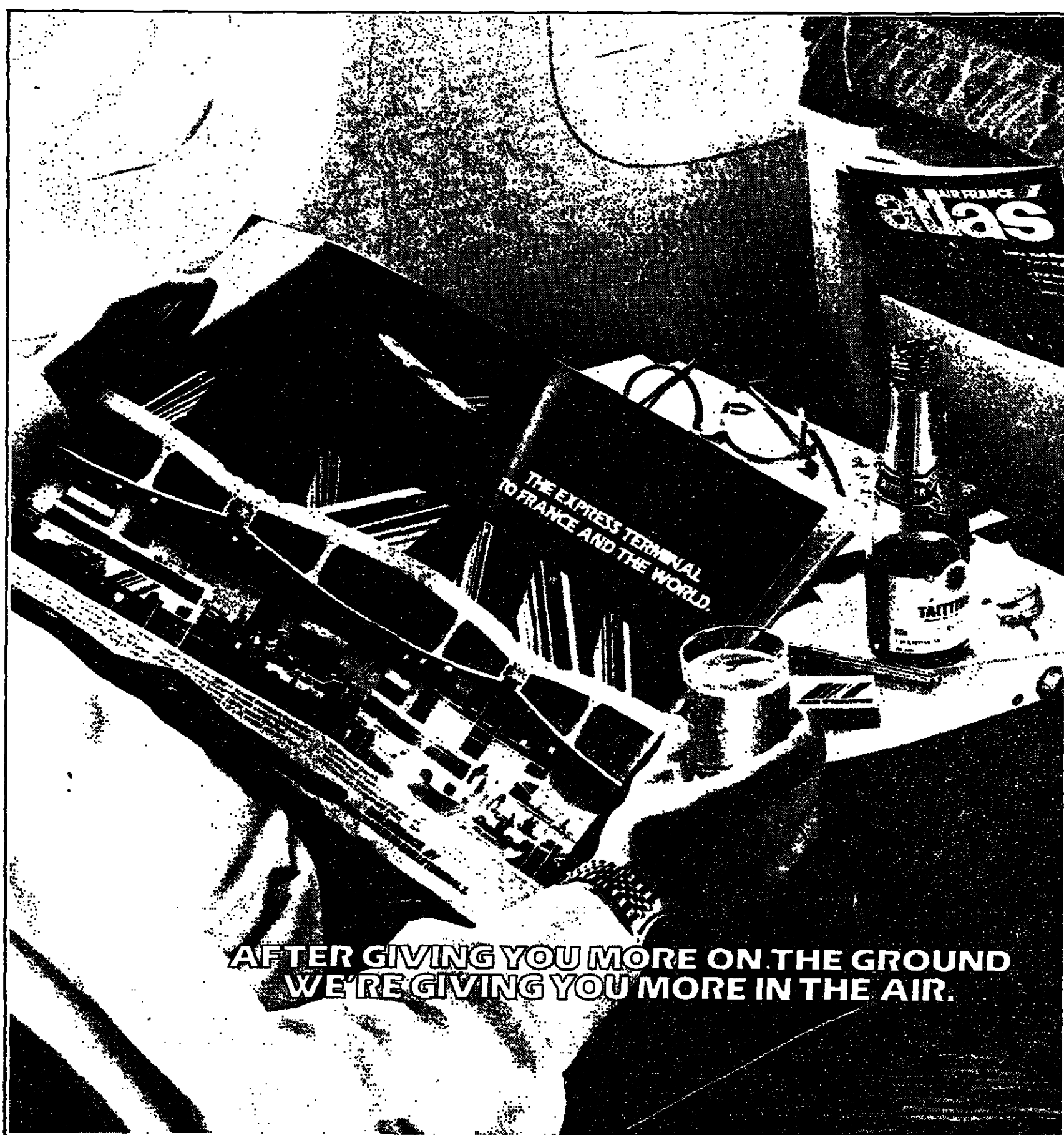
**TODAY**  
Commons: Debate on the policing in the Metropolitan area on a motion for the adjournment. Lords: Transport Bill, Committee. Parliamentary Constituencies (Wales) Order 1983, Select Committee. Public Accounts—Subject: Special Employment Measures. Witnesses: Mr M. Quinlan, Department of Employment (Room 16, 4.45 pm).

**TOMORROW**  
Commons: Debate on the Parliamentary Boundary Commission, on a motion for the adjournment. Lords: Transport Bill, Committee. Marriage Bill, Committee. Select Committee: Environment—Subject: Problems of the management of urban renewal. Witnesses: Greater London Council; Hackney Borough Council (Room 16, 4.15 pm). Transport—Subject: Serpell Report on Railway Finances. Witnesses: Sir David Serpell and other Committee members (Room 8, 4.15 pm). Parliamentary Commissioner for the Environment—Subject: Reports of the Health Service Commissioner. Witnesses: Croydon Health Authority; HM Coroner, Southern District; Sutton Health Authority (Room 5, 5.00 pm). Committee on a Private Bill—To consider the Epson and Walton Downs (Regulation) Bill (Room 5, 10.30 am).

**WEDNESDAY**  
Commons: Debate on the Parliamentary Constituencies (England) Order. Lords: Debate on the Serpell Report on Railway Finances. Select Committee: Industry and Trade—Subject: Machine Tools and Robotics. Witnesses: Institution of Mechanical Engineers; Institution of Production Engineers (Room 16, 10.30 am). Scottish Affairs—Subject: Damages in Housing. Witnesses: Convention of Scottish Local Authorities; Scottish Local Authorities Special Housing Group (Room 16, 10.30 am). Employment—Subject: Green Paper on Democracy in Trade Unions. Witnesses: Trades Union Congress; Engineering Employers Federation (Room 5, 10.30 am).

**THURSDAY**  
Commons: Until 7 pm, a debate on the EAP price proposals for 1983, and other measures. Followed by motion on the Parliamentary Constituencies (Scotland) Order. Lords: Mental Health Bill, Committee. Transport Bill, Committee. Currency Bill, Second Reading. Select Committee—Committee on a Private Bill to consider the Epson and Walton Downs (Regulation) Bill (Room 5, 10.30 am).

**FRIDAY**  
Commons: Private Members' Motions.



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## Contract times under scrutiny

## Technology building cuts costs

microprocessor - controlled lifts in the country, built in the Cheltenham factory of the Swiss-based Schindler group.

"The lifts will settle themselves to prow around the floors most likely to have passengers waiting," says Mr. Corfield.

WILLIAM COCHRANE

The report concluded that while the industry could do much to improve its performance, the customer could also assist by supplying "a substantial and well directed management input."

**ANDREW TAYLOR**

ing," says Mr Corfield, "but when people and machinery get going we take it back again with heat exchange equipment . . . it is remarkably efficient."

The BTG building also has what Mr Corfield has been told is the first group of

## Work starts on Mossmorran £12m pipeline

Association, 37 sheltered homes at South Trinity Road, Edinburgh, value £760,000, contract period 52 weeks.

★

A £4m contract connected with the Morecambe field development project will create 200 jobs for onshore work. Awarded by British Gas to JOHN BROWN CONSTRUCTION, the contract includes installation of equipment and pipework at the coastal terminal being built at Westfield Point, near Barrow-in-Furness, Cumbria, where the gas will be brought ashore. A spokesman for John Brown said they hoped to recruit as much local labour as possible should be required in the next month and is due to be completed in mid-1984.

★

**WALTER LAWRENCE & SON**

## German housing expansion

THE Costain Group, one of the UK's largest construction companies, has restructured and refinanced its West German housebuilding activities ahead of the expected upturn in the German residential market. With its partner, the Ad Group of Frankfurt, Costain has more than quadrupled the fully paid up capital of its prime residential vehicle, Decosbau GmbH and Company Bauträger.

The Nelden Group takes north their Germany and Berlin and Adt-Unibau for the Rhine-Main area and southern Germany. Each of the three regional companies is aiming for annual sales of between £15m and £20m.

The newly structured house building group has been regionally organised. Dacosbau itself holding 95 per cent in Admihau, CmbE and Gam...

Costain and Adt say that the re-organisation, backed by an efficient management structure and uniformity in marketing and distribution networks, will produce significant cost savings and increased sales.

**COSALT ADDA SYSTEM**  
Hull, has a firm contract to build and furnish a base camp at Mascara for more than 100 expatriate personnel.

Work is expected to start on the site of the first hospital, Ghriess, on March 1. The other hospitals will be built at Mascara, Tighennif and Mohammadia. Prefabricated units for the hospital

**Philippines  
take over**

The Philippine Government has taken control of the Construction and Development Co of the Philippines (CDCP) because of the firm's cash flow problems, according to Industry and Trade Minister M. Roberto Ongpin. He said the Government has converted CDCP's debts and liabilities, totalling some 3.9bn pesos into equity. This put its paid-up capital at 5.1bn pesos (£356.6m). 90 per cent of it Government-owned. CDCP has contracted worth about 9bn pesos, half of them in road and industrial estate building in Saudi Arabia, Iraq, Indonesia, Hong Kong and

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28th February, 1983

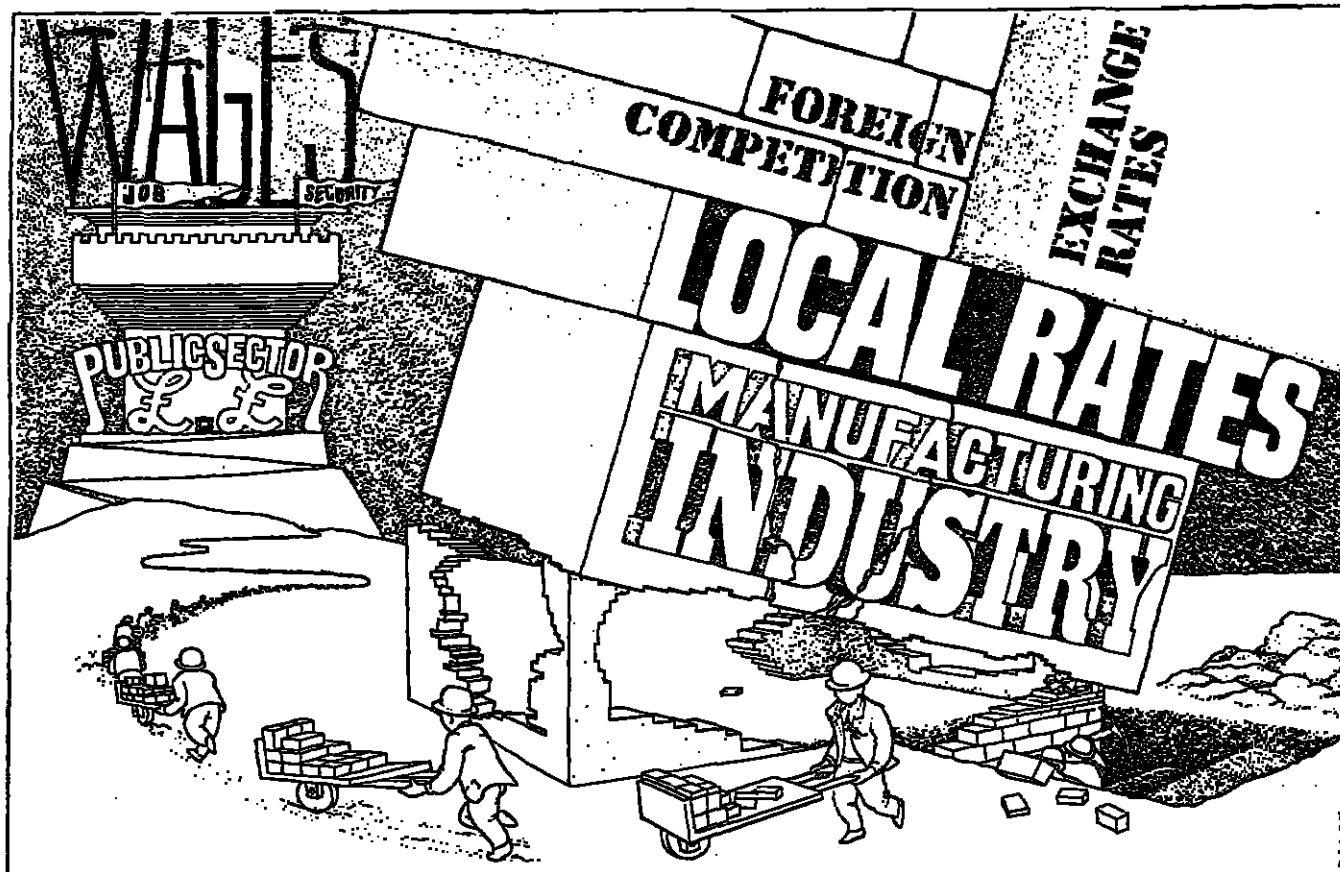


## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

# 'Next month is a long way ahead when survival is uppermost in our minds'

The author, a 55-year-old finance director of a medium-sized engineering company in the North West of England, reports from the frontline of British industry



WE ARE just going into our third round of redundancies. This will take our reduction of people to nearly 36 per cent in less than three years. This seems to be higher than our main competitors have yet attempted and is certainly more than the 25 per cent now common in much of British industry. We ran out of volunteers some time ago and even the hallowed trade union tradition of "last in, first out" may have to be ignored this time round, if those who remain are to be good enough to carry on the business. We need the best, not the oldest, not those who have served longest.

If productivity is measured in man hours per product made, then we have improved by about a quarter since the recession really bit. But if the much more relevant yardstick of all costs incurred against revenue earned is used, we have scarcely gained anything at all. Our inability to raise prices or volume because of intense competition (mainly foreign) has negated all our efforts. Little wonder that morale from senior management to junior typist is affected. We have spent nearly three years hacking and pruning in a way never done before merely to stand still.

Our depression is not helped by a common view which we are now beginning to hold, and that is that only industry is suffering to any great extent. Surely we were not the only sector in the economy that was inefficient, overmanned and badly needed shaking up? Was the productivity of the banks, local government or nationalised industries so much better than ours? Far from helping, are these organisations, perhaps inadvertently, making our plight worse?

Our local rates went up by 26 per cent last year and seem likely to rise by about the same amount in 1983. At a time when we were busy with our second round of redundancies and cutting back our capital expenditure to puny proportions, leisure centres seemed a vital investment for local town hall mandarins. Continuing rate rises of current proportions will be a positive help in keeping them fully occupied.

Slowly, perhaps too slowly, we have evolved our own version of "recession management." (It is curious that most business academics have yet to pick up this topic and put it into their course structures. It could be useful). It has eight major points.

1—Environmental Analysis  
We were very slow to recognise the potential depth of the recession and what impact it would have on us. Perhaps we were beguiled by that

Saatchi and Saatchi advertisement about Labour not working and believed that economic activity would actually improve after a slight decline. How mistaken we were. Our rudimentary form of profit planning failed to pick up the danger signals.

Currently we plan very little in a strategic way. Next month is a long time ahead when survival is uppermost in everyone's mind. What we are trying to do, however, is to be quicker on our feet in every possible way. Speed in adaptation is absolutely essential if we are to cope with economic, political and technological change. As for the economy, we care very little whether inflation is 8 per cent or 4 per cent. Conversely the decline of the pound is of major importance in helping to redress our cost imbalance against foreign competitors.

Above all, we need increased economic activity. It is of no use having cheap and good quality products produced on time if nobody has the money to buy them. If import controls help to achieve this, then so be it. In all, we have to get better still at recognising the importance to us of what is happening in our economic and technological environment and adapt quickly.

2—Cash Management  
For many years we lived on the fairy gold of stock inflation. We made stock profits and borrowed from the banks to provide cash for working capital. How wrong we were.

In three years we have reduced our working capital by nearly a half. In so doing we have reduced production volume to extremely low levels, under-recovered overheads and made trading losses. We have reduced our manufacturing costs and so have actually to down-value our stock, so again reducing profit. Running a business for cash and profit is proving extremely difficult.

To help to improve the control of the stock element of working capital we have changed our organisation and set up a materials management division which puts finished goods stock control, production scheduling and raw material purchasing under one organisational umbrella. It has worked well in reducing our stocks and convincing everyone of the importance of cash in hand.

While we struggle to get a positive cash flow, we find it curious to see so much money loaned to doubtful Central and South American countries, including Argentina.

3—People  
It seems extremely unlikely

that we will take on any people in significant numbers in the next two or three years. We could increase output by a fifth and still cope at our new planned staffing levels.

We have learned only to do those jobs which are of value and to match people to work volumes in a way we would have thought impossible two or three years ago. This approach has its implications for the local community. Once local school leavers could be practically guaranteed a job with us, now there are none. Of course, the

teaching staff complain that we lack social responsibility as they half fill the school yard with their foreign-made cars.

4—Resource Management  
Our capital investment has been cut to an absolute minimum since the recession began. We gaze upon the advertisements for office furniture and other office equipment with absolute disbelief.

We have two resource problems. How to minimise space? How to maximise installed capacity? The answer to the first problem is largely to institute a retreat from empire,

so reducing the rate burden and people at the same time. All our peripheral locations and activities are suspect in the current economic climate. Regrettably, it is the furthest parts of the empire which were set up comparatively recently and usually have the most marginal business. Retreat means leaving already depressed areas further depressed.

Installed capacity is best looked at through the objective of maximising contribution — the difference between variable manufacturing costs and sales revenue. This is a difficult process involving precise calculations of costs, profit and volume, allied to a pricing policy which yields the highest volume and contribution.

5—Pay and Union Affairs  
These are linked so closely it is difficult to separate them. The unions may be quiescent now but for how long? There is an air of realism abroad which is not so surprising when so many jobs are at risk. Pay rises, if any at all are given this year, will be in the 3 to 4 per cent range. Suddenly it seems that management is managing for the first time in years.

6—Cost Control  
We always had fairly tough controls over production costs such as direct labour or production materials. What we have never really considered deeply is discretionary costs which we should either be able to accept or leave alone. Few management textbooks have ever mentioned the fact that up to 15 per cent of all costs incurred in an organisation could be of a voluntary nature.

Technology both helps and hinders. A new telephone system allows anyone to dial anywhere without going through an exchange. But the expensive computerised monitoring system which checks how often Joe Bloggs is dialling his cousin in Melbourne produces so much print-out that half the trees in Finland have to be cut down each year.

Discretionary costs should be cancelled—or in the American jargon "zero budgeted." They should then be reinstated only when there is proof that the money to be spent gains a tangible reward, a harsh but rewarding discipline.

7—Management  
We look in some envy at those who lecture in the local polytechnic, sit in an office in the headquarters of the area gas board, or even in our local town hall. Once job security went with comparatively low pay, now it seems insecurity and low pay go together. Our experience suggests that most managers come into industry by default to some degree, and now getting them to leave, except through redundancy, is extremely difficult.

Though morale is low we have rediscovered one important characteristic: the will to manage. It might have been thrust upon us, but it is there. In the past we have tended to shelter behind "Personnel" when the going got rough with the unions. Systems design and training levels we left to Management Services. If we had a really tough problem we might call in outside consultants. When we recruited bright graduates of any discipline, they tended to gravitate towards the service functions if they did not leave altogether. Winking them out and putting them into line management has been a significant and often traumatic step for them.

Line managers have had to learn that they are there to take decisions and achieve: tough objectives in a frighteningly difficult market situation, without shattering behind service personnel. This is a change of style alien to the history of much of British industry and certainly to us. It has produced a cultural shock some of our senior managers have found difficult to take.

8—Organisation  
Allied to the change in management style, we see the need for smaller sharper units. Taking out layers of management has speeded up decision making, sharpened responses to customer demand and improved communications. Bureaucracy does not flourish when people have lots of work to do. They cut corners, they simplify, they no longer do what is tedious and not worthwhile.

Small, reasonably autonomous, work groups seem the organisational response necessary for those willing to take decisions and perhaps risks in a way they have never done before. One or two clear-cut objectives (no more) and a simple method of control complete the picture. At last we are getting round to implementing the "small is beautiful" idea, in practice.

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## THE ARTS

## The Tempest/Donmar Warehouse

B. A. Young

The last piece in the Actors' Touring Company's season is a *Tempest* marked, but not always marked, by some notable eccentricities. For example, Prospero is a woman (Valerie Braddell). The change is consistently observed, not only in the text (save where she calls herself "master" of her poor cell), but in the character. She is a motherly woman, who even embraces Caliban now and then. She having been Queen, rather than Duke, of Milan, Miranda is a Princess. Susan Colver is a rather grown-up Miranda to look at, and uncommonly sophisticated. She plays the violin, rather well, but not always aptly.

John Retallack's production is a fairly sort of magic. I think deliberately so. Ferdinand

(Peter Searles) enters in a blue serge suit with his jacket over his arm, a red tie in his white shirt. When he meets Miranda, he sensibly addresses her as if she were unlikely to understand English. I wasn't sure that he always did. "Admired Miranda's sound mind with a comma in the middle. The shipwrecked nobility are fully 20th-century. Gonzalo with a top hat and a tailcoat. Alonso and Antonio in lounge suits. Sebastian with a blazer and a straw hat.

People like this do not go well with the kind of visions the *Tempest* commonly gives us. We are allowed a dance of two masked men and two masked girls, in which I was surprised to see Ferdinand join, but otherwise we must be

content with Ariel, who is also a girl (Christine Bishop). Caliban is only an ugly, bandy-legged human in Jack Ellis's portrayal; Trinculo and Stephano (whose name is variously pronounced) are presented as circus clowns. Caliban is able to join in their roasts about with never a hint of monstrosity. Mr Retallack is clearly very happy with these circus games, and keeps them going too long and with too much emphasis. Trinculo and Stephano are doubled by Chris Barnes and Raymond Sawyer, a.k.a. Antonio and Sebastian.

The music that the *Tempest* is full of relies a lot on drumming, except when Miranda is playing her fiddle. Miss Bishop does not try to sing Ariel's songs. The lack of all the extraneous beauties we are accustomed to throws an extra responsibility on the company to bring out the beauties of the script. Although they add some lines from *Hamlet*, *Macbeth* and *Richard III*, this they hardly do. I liked them better in Berlin, which I saw on Tuesday. This conjures up the sense of isolation felt by the citizens of West Berlin, with the wall looming over them. It is a seriously meant as a long way from Weill or Dessau. But the matter suits the emphatic style of the company, and the arguments about peace and nuclear missiles should be attractive to the more excitable sections of the public.



Valerie Braddell and Christine Bishop

## Badura-Skoda/Wigmore Hall

Dominic Gill

Paul Badura-Skoda is a distinguished teacher and scholar and an able pianist. Once upon a time the position of those adjectives might have been reversed but as the years have passed Badura-Skoda's strengths as an executant have been somewhat overtaken by his prowess in commentary and instruction. Today he is an uneven performer: his recital of Haydn, Mozart, Beethoven and Schubert on Friday evening, at times both engaging and provocative, was nonetheless a bumpy ride.

The best was undoubtedly the Beethoven. His account of the Waldstein sonata had the same rough and ready articulation,

and lacked the same kinds of gradation, rhythmic, tonal and dynamic, as has opening Haydn A flat sonata no 46. But here, for the first and nearly the last time, there was real excitement as the sonata driven forward with relentless energy, the sforzandi cut quick and sharp; the rondo gathered together for its final assault with impressive momentum. Badura-Skoda has the sensitivity not only to observe the composer's extraordinary pedalling in the finale, but also to make it work. The prestissimo octave scales were correctly, and bravely, played glissandi. Not a great performance, but irresistibly invigorating.

After the interval, the un-

evenness and disproportion which had affected the Haydn sonata returned to unbalance Mozart's little set of Duport Variations K373 and Schubert's D major sonata. For some reason Badura-Skoda chose to turn the metre of Schubert's andante from 3/4 into something approaching 6/8—which is not an ambiguity that the melody anywhere needs or implies. It would have served to say that he reduced the third movement to mechanical thumping; but he cast a very dark shadow over one of Schubert's most radiant and sunlit scherzos. The finale was buoyed up to its conclusion by a kind of manic persistence, admirable of its sort, but by not much else.

## Cinderella/Coliseum

David Murray

"Cinderella" is of course Rossini's *Cenerentola* at the English National Opera, in Arthur Jacobs' bright translation. Its chief jewel remains Della Jones, sparkling as formidably as ever in the title role; but there are some new principals beside her, all better than competent and sometimes very good indeed. The Colin Graham production, pretty, tidy and simple, serves well enough, though it doesn't explore the witty character-possibilities much (sooner or later, the lessons of the recent Cologne *Matrimonio Segreto* must be learned), and what should be Don Magnifico's, ludicrously dissipated mansion is just an exercise in all-white chic.

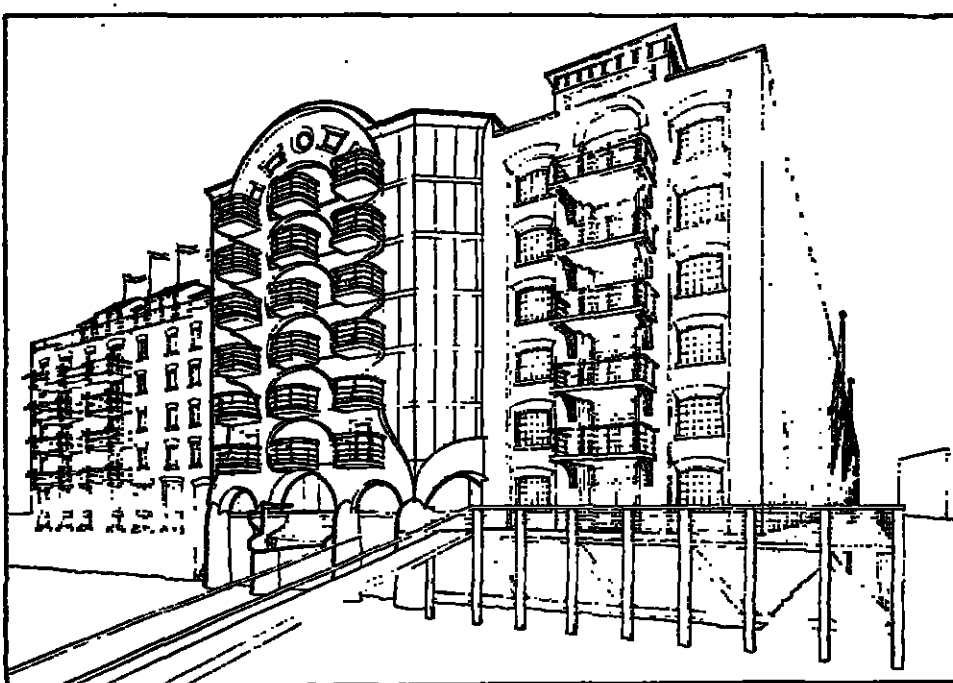
Stephen Barlow conducts from the harpsichord. One could wish him reader to pick up the tempo in sub-act two, and perhaps later he

will; but he keeps a rigorously solid beat, which is more important, and the orchestral balance is consistently happy. (The score used at the ENO is weeded of many historical ex-crescences, with a great gain in crisp colours). The single interval is placed uncomfortably late, perhaps because the more natural break would come after

Ian Caley is greatly welcome to the role of the Prince: reliable elegant technique, sound stylistic intentions, secure and translucent notes. His agreeably easy manner suggests a sense of humour in the first scene. There is a heavy Dandini upon later—he mustn't risk seeming a smug grandee. The philosopher and *deus ex machina* is Patrick Wheatley, stately if so far a trifle false. There is a heavy Dandini from Alan Opie, the voice spreading too much for the

good of his line (and he is egregiously dull in his princely masquerade). For Don Magnifico we need a gross comic brute with a flexible bass, where Eric Shilling offers a mean-spirited weasel, fuzzy of tone and never incisive.

Of the silly stepsisters, Catherine Benson—new to the company—has delightful moments and promises more; Shalagh Squires better accented in the first house, is poised and expertly funny. And there is Miss Jones, hurling brilliant descending scales like grapeshot, erupting stoppably with *fortissimo*—and yet, with her intense singing in simple piano (seamless line, shaped from the heart), remarkably moving too. Any opera-lovers who haven't experienced *Cinderella* yet must hasten to do it; most of the others will be there again for the third or fourth time.



The strong lines of China Wharf as they will appear from St Katharine's Dock

## Architecture

Colin Amery

## Living death on the Thames

It's the old, old story. London continues to neglect the River Thames architecturally and in townscape terms to an extent that is sometimes unbelievable. Two events of the last week drew my attention back to the River. The arts and recreation committee of the Greater London Council voted unanimously to commission the architectural guru Mr Cedric Price to produce plans to "rejuvenate" the South Bank all the way from Westminster Bridge to Blackfriars.

It is rather a curious choice. Mr Price is full of jokey architecture ideas and his substantial cigar-smoking presence at any kind of architectural event can be relied upon to be provocative. But he has rarely succeeded in building anything more than some kind of recreation centre in Kentish Town which, as far as I recall, consists of sheds and a disused London double-decker bus.

Mr Price is very much a man of the 1960s. The GLC is also an organisation that has become rather stuck in that period, and its well-matched. The GLC apparently feels that the South Bank is elitist. The Royal Festival Hall is too overwhelming for the customers and many of the other buildings of this cultural ghetto appear to be far from inviting. I took a walk round the South Bank last week, having spent a puzzled hour at the Arts Council's amazingly indiscriminate Landscape Art show, to see how the concrete world was looking.

The first thing for Mr Price to observe is that it is always raining on the South Bank. You leave Waterloo Station and immediately start paddling on those horrible walkways to the Festival Hall. Even if the raindrops are not actually falling there is plenty left from the last shower—particularly in that gloomy and dangerous area where the footpath plunges under the railway bridge.

The second thing Mr Price should do is propose the demolition of the Queen Elizabeth Hall, the Purcell Room and the Hayward Gallery. They are beyond any shadow of doubt the nastiest set of buildings ever devised as places of recreation and culture.

It is very doubtful if a single voice will be heard in their defence. I have never been able to understand why so many of the buildings on the South Bank ignore the river totally. Who ever heard of an art gallery in such a wonderful position that has practically no windows, nowhere for a drink or a rest, and despite the quality of some of the exhibitions, always feels like an abandoned multi-storey car park.

Further downstream the gradual transformation of Docklands from a Dickensian dream to a Miltonic (in the sense of Milton Keynes) mirage continues apace. It is in Bermondsey that the architectural, as well as the political, selection process appears to have run into trouble. There is an agree-

able site for a new building on the river in between some existing 19th century warehouses. The site has amazing views and is almost immediately opposite St Katharine's Dock.

The developer, Jacobs Island Company, which is converting the adjoining New Concordia Wharf into flats and offices, has commissioned Campbell, Zogolovich, Wilkinson and Gough to design a new block of flats with offices on the ground floor. This organisation is also converting a tower on the site into a private house that promises to be one of the most exciting in London.

The new building is known as China Wharf and it has been considered by the London Docklands Development Corporation and is shortly to be scrutinised by the Royal Fine Art Commission. It is a very talented and original design.

The bulk and shape fits perfectly with the surrounding conservation area. Three cheers are due to the fact that this is no silly pastiche of the warehouse style but an amusing, colourful and distinctive new building that is exactly what this part of London desperately needs.

Most cheering is the fact that the adventurous river facade uses that dangerous commodity that so frightens planning officers—namely colour. It is a good strong pink that will look marvellous from the north bank of the Thames and suits perfectly Bermondsey's new political complexion.

## New York opera

## Strauss and Wagner

Andrew Porter reviews *Arabella*—and *Parsifal*

The Met first staged *Arabella* in 1955, with Eleanor Steber and George London, in English; Kempe conducting. The production (it later starred Lisa Della Casa) lasted for 10 years and 22 performances. Now it has been replaced by a new version in German, conducted by Erich Leinsdorf, designed by Günther Schneider-Siemssen, and produced by Otto Schenk. Kiri Te Kanawa takes the title role. *Arabella* stands or falls by its heroine. This one, I think, falls.

Something odd has happened to Dame Kiri, at any rate over here. Her Met *Florestan* was lifeless. Her *Marshallin*, which opened the current season, and now her *Arabella* are somehow altogether too damned graceful. She makes the effect of creating a character out of bestowing her patronage upon the rest of the cast, the work, and the audience. There is nothing spontaneous or uncalculated about her performance. Nothing in the least Lotte Lehmann-like. She relates to no one else on the stage. She arouses no feelings in the listener—nothing beyond admiration of some very beautiful sounds from time to time.

*Arabella* is an opera about which I have shuttlecock feelings, and *Arabella* herself is the battledore. If she is charming, interesting, brave, and attractive—and if one senses the potential of tragedy, that she may be forced into unhappiness in order to save her feckless family—all is well. The opera seems worth doing, more than just four lovely lyric passages (*Arabella*'s two solos, and her duets with Zdenka and with Mandryk) set in a collection. If not, it is opera matter insisted by opera words and opera music. Strauss was aware of the danger. When Hofmannsthal's draft reached him, he complained that *Arabella* was uninteresting and almost unattractive, and by wise suggestions he sought to give the characters and the plot more warmth, depth, and conflict.

Kathleen Battle was a charming, spontaneous Zdenka, but a shade light of voice in so large a house. Donald Gramm's Mandryk was rawly sung, often out of tune, and unlyrical in line. Gwendolyn Bradley's Flakermill was sweet and pure, not quite sparky enough. (What a wretched role it is: no wonder Strauss begged Strauss to excuse it.) Donald Gramm's Waldner was polished. Leinsdorf paced the piece securely, but his conducting was dry, unemotional.

Schneider-Siemssen's decor is realistic, detailed, and distinguished, but by reducing the huge Met proscenium arch to a narrow slit it gives the curious effect of live opera aspiring to the conditions of a television show.

In a concert performance in Carnegie Hall, Eve Queler gave the American premiere of Strauss's first opera, *Guntram*. It is a likeable work, generous in invention, earnest in endeavour, uncompromising but also impracticable in its execution. Ernest Newman in 1908 called *Guntram* "altogether a great work" and said it should be staged. But the dramaturgy is clumsy, and the title role is more taxing than Tristan. Reiner Goldberger, in his American debut, sang the notes well enough; no tenor could sing himself into the three huge narrations, and all the rest, with the ardour, power, and dramatic accents that Strauss calls for and stay the course.

Ilona Tokody, the Budapest and Vienna prima donna, also made her local debut, in the role created by Pauline Strauss. She is efficient, conscientious, energetic, accurate, but her timbre is hardly beautiful. A fine young baritone, Roger Roloff, who took the role of the Old Duke, is someone to watch for. His next assignment is *Karenin* in the Los Angeles production of Jan Hamilton's *Anna Karenina*.

Miss Queler conducted with spirit and discipline. It was interesting to hear the work again. (The BBC performance conducted by Polzella, which I saw here on pirate discs.) At the least, the preludes to Acts 1 and 2 should stay in the repertoire as concert pieces, for they are richly beautiful. *Guntram*'s narrations might also be welcome on concert pieces; unnumbered by the whole role, a tenor could sing them with the force and freedom they require.

The Bayreuth television *Ring* is dribbling out here over a six-month period. *Rheingold* ended by Polzella's duet struck up, running into the *Fürer* March—trailers for far-off instalments. Hans Jürgen Syberberg's film *Parsifal* is on show. I found it riveting, wonderfully lush, dense, colourful production of the opera, prodigious in its allusiveness; a presentation in which the "footnotes" dealing with origins and cross-references have been taken into the main text. Images from the original 1882 *Parsifal* and from Wagner productions of the last century (including Wieland and Chereau's) find a place in it; all that went into the making of *Parsifal*, and a century of others' thought about it.

Kundry rises in a forest pool of tears which have collected on the giant Wagner death-mask that forms the main set—the Grail Hall deep within it. Behind her is a projection of the Palazzo Giustiniani, in which she first took shape in Wagner's mind. Mathilde Wesendonck and Judith Gautier are among the flower-maidens. And so on. Onstage, such a production would be maddening. As a film, it provides an enthralling experience. And it is securely built on the basis of a very fine musical interpretation. Reiner Goldberger, Yvonne Minton, and Robert Lloyd are as fine as *Parsifal*. Kundry, and Gurnemanz as I have ever heard. Armin Jordan, conducting, has himself as one of our finest Wagnerians.

Wagner's centenary death-day fell on a Sunday. The day before, the Met played *La Gioconda* and *La Bohème*. But at the New School there was an all-day *Totenfeier*, a symposium

## Giacomo Manzoni/Festival Hall

Max Loppert

Nono. *Masses*—a title which refers, of course, to masses of sonic, not of human, material—constructs a scenario in which the central opposition of the work's dedicatee and formidably muscular protagonist and various orchestral groups remains implacable. Though rhetorical interchanges are offered on the way which hint, at times, at concerto manners of an older kind, Manzoni's end is his beginning, and it is logically reached.

A philosophical-political "programme" may be inferred from Manzoni's groundplan—one gets a strong whiff of it in the note (written in the peculiarly

impacted language that is the keynote of the Italian avant-garde) accompanying the recent DG recording of *Masses*. But any piece of music whose ideas prove more interesting to read about than to listen to can hardly be counted a success; for *Masses* is a fearfully dull 20 minutes, splodging out its grey material (for ideological reasons the composer spurns development of thematic ideas, for no longer credible?), opposing sonorities that may have been carefully and rationally calculated but which lack all basic animal vitality. To pay homage to Varèse thus, in a work that appears to have learned nothing

of his dramatic excitements in the manipulation of timbre, is a curiosity—as are those splashy episodes of solo "cadenzas" like the burblings of a cocktail pianist in the wrong lounge. Admittedly, the work attains a more sharply cut profile on the record than it did in the Friday's performance by the EBC Symphony; but as Charles Groves had very bravely taken over as conductor from the indisposed Giuseppe Sinopoli at a very late stage, that was hardly surprising. In the second half Sir Charles led a performance of the Mahler Ninth Symphony dedicated to the memory of Sir Adrian Boult.

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## Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

## Music

## LONDON

London Symphony Orchestra conducted by Gustav Kuhn with Paul Tortelier, cello. Haydn and Strauss. Royal Festival Hall (Mon), (0283101).

Bello Orchestra conducted by James Loughran with Nathan Milstein, violin. Lento in a heavy Dandini from Alan Opie, the voice spreading too much for the

Via Nova Quartet: Jolivet, Dutilleul, Honegger, Merlet (Tue), Salle Gaveau.

American Quartet: Brahms (Tue, Thur), Theatre Des Champs Elysees (7234 777).

Ensemble Orchestral de Paris conducted by Jean-Pierre Waller: Beethoven (Wed), Saint-Roch-Church (56 320 30).

Orchestre National de France conducted by Luis Garcia Navarro with the Radio France Choir: Falla (Wed), Theatre des Champs Elysees (7234 777).

Orchestre de Paris conducted by Daniel Barenboim with Radu Lupu: Beethoven, Reimann, Strauss (Wed, Thur), Salle Pleyel (56 388 73).

Catherine Joly, Piano: Liszt (Thur 3pm and 8pm), Salle Pleyel-Chopin.

Orchestre Colonne conducted by Donati Benvenuti, Jessye Norman, Soprano: Verdi (Thur), T.M.P.-Chatelet (261 1885).

## NEW YORK

New York Philharmonic: (Avery Fisher Hall, Lincoln Center) Christoph von Dohnanyi conducting, Bella Davidovich piano (Tue); Seymour Lipkin, piano (Thur); Beethoven, Schumann, Tchaikovsky First Sea Picture (U.S. premiere), Strauss. (874 2424).

Carnegie Hall: Hakan Haggard, baritone, Mozart, Stenhammer, Greg Nielsen, Schubert, Duparc, Schubert, Berg, Wolf (Mon), Raphaela Trio, Dvorak, Mendelssohn, Brahms

## February 25-March 3

(Tue): Toulouse Chamber Orchestra, Michel Debost (Tue), Aubert, Rameau, C.F.E. Bach, Leclair, Bartok (Wed), (247 7459).

## WASHINGTON

National Symphony (Concert Hall, Kennedy Center): Mstislav Rostropovich conducting, Andre Watts piano, Debussy, MacDowell, Schubert (Tue, Wed, Thur), (543 7778).

## CHICAGO

Chicago Symphony & Chorus (Orchestra Hall): Claudio Abbado conducting, Maurizio Pollini, piano, Mozart, Gabrieli, Schoenberg, Wagner (Thur), (435 8122).

## VIENNA

Musikverein (858 190): Alfred Brendel, piano. Beethoven Sonatas (Mon); Medieval Ensemble of London. Love songs of the later Middle Ages (Thur).

Konzerthaus (721 211): ORF Symphony Orchestra, conductor Kurt Raffl, Beethoven, Schmidt, Kont and Raffl (Mon).

## ZURICH

Tonhalle: Zurich Chamber Orchestra with Zoltan Kocsis, piano conducted by Edmond de Sauts. Haydn, Mozart and Bach (Mon); Zurich Camerata conducted by Raimo Teichgraber. Christian Zacharias, piano. Brahms, Haydn and Mozart (Wed).

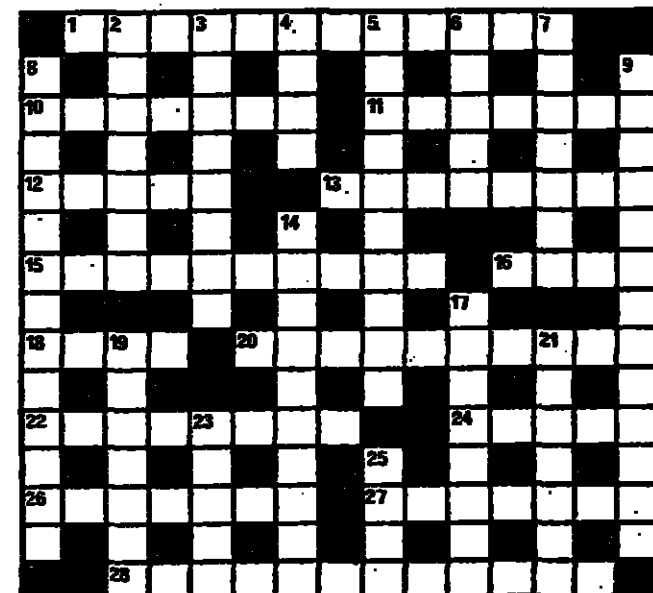
## F.T. CROSSWORD PUZZLE No. 5,109

## ACROSS

- High court judge (6, 6)
- A newspaper gives it a bold presentation (7)
- Concentration required when driving in France (7)
- Direction from the governor that must be obeyed (5)
- See lambs rounded up and put together (8)
- Sign for a missing letter (10)
- Conditionally give a fast time (4)
- Gives a touching display of regal appreciation (4)
- Decline to leave rubbish for removal (6, 2, 2)
- Neglect nothing on a job (8)
- I'd acted as a guide, yet didn't do any work (5)
- Time to take in a strange rite by the Red Sea (7)
- T. S. Eliot production for ladies and gentlemen (7)
- Be quite sure you're very sensitive (4, 8)

## DOWN

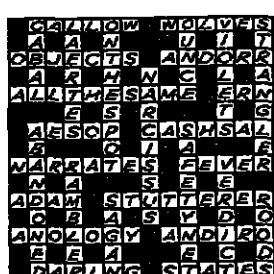
- Stop and go after amber changes (7)
- They open out for the novice (8)
- Team with an air of superiority (4)



- Pipe bursts each summer (10)
- Publication for children (5)
- Give a subject a title, perhaps (7)
- They brighten up the garden with one colour amid other colours (8, 5)
- Key point of a hotel? (9, 4)
- Happen to reach a gap in the hills (4, 2, 4)
- The cause of Ironside's confusion? (8)
- A factor in debt-collection (7)
- Instruction to the mechanic might be a bore (3-4)
- Wait to start the game (5)
- It's up to Rex to make a move (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Solution to puzzle No 5, 107



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## FOREIGN AFFAIRS

## Chauvinism and self-deception

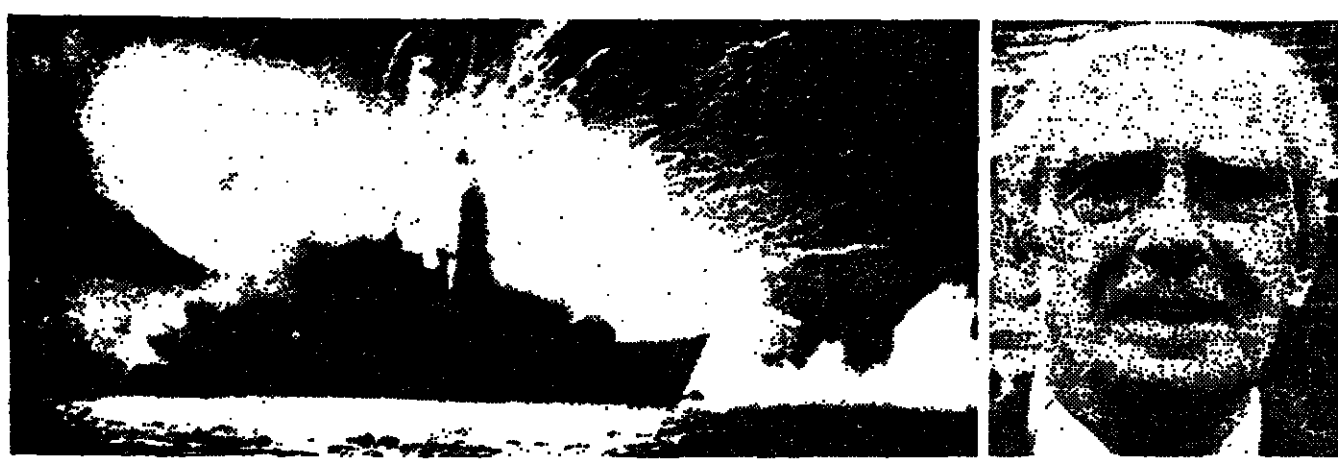
By Ian Davidson

EVER SINCE the Falklands affair, we have been living through a prolonged debate on the institutional problems of Britain's foreign policy. Is the Foreign Office staffed with elitist appeasers, or are the politicians, who accept the rationing of Foreign Office advice, but fail to stand up to the populists in the House of Commons? Is the intelligence service, which would be more effective if it were chaired by a full-time professional, rather than by some Foreign Office fellow? Will the class between the Prime Minister and her Foreign Secretary be deepened or bridged by the appointment of Sir Anthony Parsons as special foreign affairs adviser to 10 Downing Street?

On the whole, I have tended in the past to take a strictly constitutional (as opposed to institutional) view of these issues. Parliament is elected, and government is self-selected, to take responsibility for foreign policy as far as matters. Many issues are rather complex; but if political parties do not produce ministers who can both master the complexities and impose appropriate political choices, then the fault lies with the parties, not with the mandarins of Whitehall. The longevity of the mandarins gives them undeniable advantages, but it is unacceptable supine of politicians to pretend that they are rendered powerless by the Whitehall mafia.

Two recent books have suggested to me that this may be an oversimplified model of the foreign policy process. The first is a study of the British experience in sending Eurocrats to the Commission and the Council secretariat, over the ten-year period since the UK became a member of the Community. The second is a more complex work, which examines a number of key foreign policy incidents since World War II, partly through the dark prism of the British Secret Intelligence Service often referred to as MI6.

In the very early days of British membership of the Community, as is fairly well known, Whitehall was slow in mustering enough candidates to fill Britain's share of the bureaucratic jobs in Brussels.



The explosion on board HMS Antelope during the Falklands war and Sir Anthony Eden, photographed at the time of the Suez crisis—two turning points in British foreign policy

But the reasons for this failure are less well known, and they are damagingly set out in Virginia Willis' new study, *Britons in Brussels*.

The first reason was administrative incompetence. Whitehall grossly underestimated the real salaries of Commission officials, and it underestimated the experience and seniority required for the top Commission jobs. Some potential candidates must have been put off by the thought of a move without any financial promotion; whereas in reality the effective remuneration, job for job, was as much as twice as high in Brussels as in London.

The fall of the Heath government in 1974, and the start of the tireless process of renegotiation, inevitably reduced the appeal of jobs in institutions which Britain might soon be leaving. But the striking thing is that, even after the 1975 referendum, Britain still failed to secure an appropriate share of the jobs in Brussels. In 1980, for example, Britain had only 325 "A" grade officials in the Commission, compared with 462 for France and 427 for Germany.

Efforts have been made to rectify this situation. But the most serious obstacle to any improvement has been the underlying reservations of the Whitehall establishment about the rightness of British membership. "Neutrality," says Virginia Willis, "towards the Community was sometimes the most positive of attitudes in

some departments." She concludes: "Though attitudes are changing, participation in Community decision-making has not yet spread extensively enough throughout the Civil Service to have eradicated deep-seated attitudes based on unfamiliarity and national chauvinism, especially in those departments least concerned with Brussels. There the EC still tends to be regarded as an international organisation beyond our shores..."

If Britain has done less well out of Community membership so far than had once been hoped, the fault must lie with many sectors of society. But Whitehall bears its share of the blame, since its attitudes colour the advice given to ministers. It cannot be an accident that France, which for years did best out of the Community's programmes, has from the beginning pursued a very thrusting policy of getting a regular stream of its brightest and best functionaries into the decision-making processes in Brussels.

If Anthony Verrier's *Through the Looking Glass* has a single theme, it is the converse of the one I have just adumbrated. He takes the view that for too long Britain's politicians have been self-deceivers, living in a dream world on the wrong side of the looking glass; for him it is the hard-eyed men of the mandarinate, as he

calls it, and especially the shadowy figures in the Secret Intelligence Service, who are living in the real world.

It is in many ways a fascinating, if somewhat muddled book, and it tells a good deal about the SIS which, at least, did not know. The details of particular episodes remain, in many cases, unexplained, but the acknowledgments contain an impressive list of the people interviewed, and the jacket says the book is based "to a degree on the author's own experiences."

For many years after the war, he argues, Britain attempted to retain the trappings of an imperial power without the resources required for such a role. The Suez crisis of 1956 is, of course, the locus classicus of this not unfamiliar idea. What is striking about Mr Verrier's extended treatment of this episode is the significant role which he attributes to key figures in the "permanent government" and SIS in making sure that the U.S. administration was fully informed of Eden's enterprise, so as to ensure that it would quickly be snuffed out.

Part of Eden's sin, in Verrier's eyes, was that he treated SIS as a sibling of the wartime Special Operations Executive to be used as much for undercover violence as for the acquisition of information, as if political terrorism could be a substitute for real power. After the defection of Oleg Penkovski in 1951, however, the central vocation of SIS as

an intelligence-gathering organisation living in the real world was fully established; according to Verrier, the Penkovski intelligence passed on to Washington by SIS played the crucial role in persuading the Americans that the missile gap on which Kennedy had campaigned was sheer illusion, and thus in averting the danger of nuclear war in the Cuba crisis of 1962.

Mr Edward Heath gets good marks for realism, when he decided in the lead-up to the Sunningdale proposals, to treat Northern Ireland as a political problem rather than as one of imperial containment; but the establishment, both in London and in Ulster, got low marks for failing to realise that a political approach meant dealing with the Protestants as well as with the IRA and Sinn Féin.

In the Falklands affair, of course, the post-imperial delusions once more came home to roost: the islands would not be defended, therefore they would not be invaded. In this episode, Mr Verrier makes a claim which is sharply at variance with the account given in the Franks report. The report plays down the idea that London received hard information that the Argentine had decided to invade, at least until it was far too late to prevent it. But according to Verrier, "SIS reported the first clear indication of a firm Argentine intention to invade the Falkland Islands—at a convenient

moment rather than at a specific time," three weeks before the invasion actually took place.

If this is true, then the "permanent government" was much more at fault than Verrier admits. The SIS report was passed on to the chiefs of staff, but not shown to ministers until a few days before the invasion.

Political self-deception is not, of course, confined to the UK. In 1974-75 four European countries conducted a prolonged and tense competition for the procurement of fighter aircraft, known as the Sale of the Century. The contenders were General Dynamics F-16, Northrop F-17, Dassault Mirage and Saab Viggen, and right until the end it seemed neck-and-neck between the F-16 and the Mirage. Yet Ingemar Dorfer shows, in his absorbing account *Arms Deal*, that the victory of the F-16 was inevitable.

The Norwegians always wanted an American aircraft. A steering group decided that the four countries — Belgium, Holland, Denmark and Norway — would only buy an American aircraft if it was also bought by the U.S. Air Force, to ensure commonality. Fly-offs proved the superiority of the F-16 to the other contenders, and when the USAF decided to buy it, the competition was, in effect, over.

While it is easy to recognise the delusions which have too often characterised British politicians, it is hard to swallow Verrier's claims for the steady far-sightedness of the mandarins in the "permanent government." To end where we began, it is striking that he says nothing about its role in the most important foreign policy problem which Britain has faced since World War II, its relationship with continental Europe, and nothing about the role of SIS in successive negotiations with the Community. Yet the chauvinism which at first prevented, and still hampers, Britain's relationship with Europe, is more deeply rooted, more widely shared, and more symptomatic of post-imperial delusions, than the aberration of the Falklands affair. Unfortunately, they are mutually reinforcing.

*Britons in Brussels* by Virginia Willis, Policy Studies Institute 23 through the Looking Glass by Anthony Verrier, Jonathan Cape £12.50  
*Arms Deal*, by Ingemar Dorfer, Pengu

## Lombard

## The meaning of that strategy

By Samuel Brittan

THE Medium-Term Financial Strategy (MTFS), introduced by Sir Geoffrey Howe in 1980, is likely to be the Thatcher Government's one innovation in macroeconomic policy that will survive changes of administration and be remembered when all the tactical and strategic blunders—and there have been quite a number of them—have been forgotten.

The strategy came to life over the objections of (a) the Bank of England which wanted to run a counter-inflationary policy at its own discretion, (b) Ministers and officials who like John Biffen were hostile to anything involving forward numbers and projections (even though all major businesses use them) and (c) the old guard Keynesians who were outraged by the thought that anything as lovely as a "plan" should be sullied by being set out in monetary terms rather than in monetary terms.

But as with all new concepts and ideas, there has been considerable uncertainty about the exact nature of the MTFS. As a matter of record, the key numbers in the original 1980 MTFS were a set of target ranges for the growth of GNP, which was supposed to decline gradually in the years ahead.

Having expressed a preference, before the MTFS was published, for a statement in terms of Money GDP—the national income in cash terms—as its first objective, I went along with the original presentation. This was on the assumption, encouraged perhaps by too conscientious a reading of the small print, that if the relationship of the national income to GNP were to change either different monetary aggregates would be substituted or at any rate that intermediate objectives would be treated strictly as intermediate.

The 1980 Financial Statement also contained projections for a declining Public Sector Borrowing Requirement (PSBR) as a proportion of the national income. These were said to be of subordinate status—simply the Treasury's best guess of how the monetary targets could be achieved.

As is well known, GNP proved a broken reed as a policy guide; but—rejecting some Treasury advice to resuscitate the MTFS in

terms of Money GDP—Sir Geoffrey Howe chose in 1982 to put in new target ranges for three different monetary aggregates, the status of the targets being left unclear.

Meanwhile, however, after a shaky start, the Government succeeded in reducing the PSBR percentage of GDP more or less as planned—in fact faster than in the 1982 version of the Strategy. Thus the PSBR figures became for Sir Geoffrey Howe the operative, politically meaningful part of the strategy. When it became clear last year that Money GDP was falling well behind schedule, the Chancellor refused to take corrective action, despite the context of severe recession and below-forward inflation. Fortunately, a correction has come from the exchange market in the shape of a lower sterling rate.

It is therefore not surprising that Mr Tim Congdon, who believes independently in a "balanced Budget," should welcome an interpretation of the strategy in terms of declining PSBR (*Letters to the Editor*, Feb 24). But it is disappointing that he should chide me for an interpretation which concentrates on the economic aims and is nearer the original intent. He asks why I went along with crude PSBR figures, unadjusted over for cyclical factors, in the 'ReAd Book' statements. This was simply because I accepted their original subordinate status and because the famous small print left room for—although it did not require—cyclical adjustments.

Of course, I do not favour a 25bn to 28bn PSBR which would cover all the possible adjustments for the cycle, capital spending and inflation accounting. For that, too, is an expression of the "balanced Budget" mentality interpreted perversely. The appropriate Budget balance is that which, together with monetary policy, gives the right, overall stance from the point of view of supporting non-inflationary growth. In the very long run there are problems if non-inflationary growth requires ever-increasing deficits. But it is unlikely that it would do so. And if it did, the definition of the Budget balance would matter in any diagnosis and treatment.

## Letters to the Editor

## Consequences of cutting public expenditure

From Mr C. Williams

Sir—Tim Congdon's defence of balanced budgets (February 24) attributes to the cut in the public sector borrowing requirement a more fundamental nature than it deserves. A small reduction in the Government's holding in a corporation can take it out of the public sector and its borrowing from the PSBR. The implication of making the PSBR target the prime policy objective is that the distinction between public and private borrowing is more fundamental than the behaviour of the markets suggests. Mr Congdon might be happier basing his balanced budget on the general government borrowing requirement (GGBR), not PSBR, yet even this would be altered if the

activities of certain government agencies were reclassified as public corporations. A PSBR target while it sets in the light of a number of considerations and there is nothing magical about the figure zero as that target.

The trouble with the medium term financial strategy has been that while it sets a path for public expenditure no target was set for the composition of that expenditure. It is clear that the consequences of cutting public expenditure will be very different if this is done by slashing the road programme than if the savings are made in the social security programme, or if the borrowing target is met by sale of assets.

There is an increasing aware-

ness of the justification of borrowing to finance capital expenditure and of the importance of the make up of public expenditure as well as its size. A financial strategy should embrace objectives for the composition of public expenditure and the borrowing requirement, however defined, and be determined in the light of that mix. The Prime Minister has likened a balanced budget to a housewife who keeps within her housekeeping budget. A more appropriate way would be of one who also stops her husband taking out a loan to improve the home. C. A. Williams, National Council of Building Material Producers, 33 Alfred Place, WC1.

## Water workers' strike

From Mr K. Sugars

Sir—Your Labour Correspondent (February 24) refers to Mr Pat Lowry, chairman of the Advisory Conciliation and Arbitration Service, and his team as having enhanced their reputations as a consequence of their activities during the water dispute—would that we were all in the position of being able to enhance our reputations by arranging to give someone else's money away!

In the long run it would have been better for the strike to continue until the workers were willing to accept the very good offer that had already been made. Resolution of a dispute ought not to be an end in itself. K. A. J. Sugars, 9, Mansford Close, Sidmouth, Devon.

## A new round of price increases

From the Policy Chairman,

National Federation of Self Employed and Small Businesses. Sir—David Bassett is now elated with success at the results on the wage demand in the small business sector. He uses this success in a similar move for power workers. The time has come for Government to freeze the price of gas, electricity, communications and rates. Consumers cannot continue to meet the ever increasing costs. This is especially so with the small business sector. A new round of price increases to the overheads of small businesses will be the final straw for thousands now on the brink of insolvency. Inevitably this will result in the loss of yet more jobs. A price increase preventing costs being passed on means they must be absorbed within their own industries. Let the jobs be lost by those that create the problem. Brian A. Prime, 45, Russell Square, WC1.

## Stags and new issues

From Mrs P. Book

Sir—Do the issuing banks merely reserve the right to present all cheques submitted to them for sale? If they did clear the cheques (perhaps even crediting all or part of the interest earned to the company involved as a profit on issue) stags and bank managers would still have a strong profit incentive but the issue would be more realistically based. (Mrs) Patricia R. Book, 7 Willow End, Totteridge, N20.

## Milk and the French way of life

From Mr E. Adkins

Sir—You had an interesting article about declarations in Parliament and elsewhere concerning the threatened invasion of your green and pleasant land by French UHT (ultra heat treated) milk, which was thought likely to undercut the true and pure British product.

Both UHT and fresh milk are of course available "side by side" in France, and both are cheaper than fresh milk in Britain. Full-cream fresh milk at our local supermarket bought in cartons from a refrigerated stand similar to those in the UK costs FF3.30 per litre, which at the current exchange rate of just on FF10.5 to the pound works out at slightly under 18p per pint. Half-cream fresh milk (which has more cholesterol) costs only FF2.10 per litre or just under 17p per pint.

UHT milk is in fact slightly more expensive (full-cream nearly 20p and half-cream just over 17p per pint) and it is bought mainly because it keeps much longer and, until a carton is unsealed, it need not be refrigerated. Very few would dispute that on its own (nature) it has a relatively unattractive taste, but since it is used mainly in coffee and other flavoured drinks, or in cooking, this is not very important.

My wife and I who always use fresh milk (even in our tea and coffee) can vouch that the French full-cream variety tastes every bit as good as that available in Britain where we were only a week ago. Invasions by this is what you should beware of. Bruce M. Adkins, 13 Avenue du Panorama, 91190 Gif-sur-Yvette, France.

## Storming cycles in Russia

From Mr J. Rostowski

Sir—Anthony Robinson (February 22) reporting that Andropov's first 100 days may have been too easily impressed by the 6.3 per cent surge in Soviet industrial output in January. The increase is in comparison with the previous January's output, and centrally planned economies are notoriously subject to a "storming cycle" over the year, as firms try to fulfil their plans in December. In Poland which unlike the USSR publishes the relevant data, industrial output in January as compared with the preceding December has been known to fall by as much as 17.5 per cent. It is possible then that in January 1982 in the USSR also there was a lot of excess capacity, and it is this that has been mobilised by the new, tougher, leadership. In the later months of the year there will be less idle capacity available, and a continuation of January's spectacular results seems unlikely. Jacek Rostowski (Lecturer in Economics), Kingston Polytechnic, Penrhyn Road, Kingston upon Thames, Surrey.

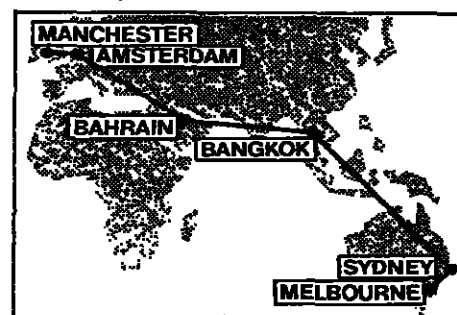
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# SECTION II - COMPANIES AND MARKETS

## FINANCIAL TIMES

Monday February 28 1983



### Eurobond market follows Marxist principles

BY ALAN FRIEDMAN

THE COINCIDENCE of demand and supply means nothing at all here.

This view comes not from one of the Eurobond market's new issue managers, but from a now-deceased manager of issues, great and small. Karl Marx wrote these words in Das Kapital, nearly 100 years ago.

It would have been a very fair comment about last week's Euro-dollar bond business, however, where \$1.5bn of new issues appeared to be meeting a reasonable reception in spite of a still selective investor community.

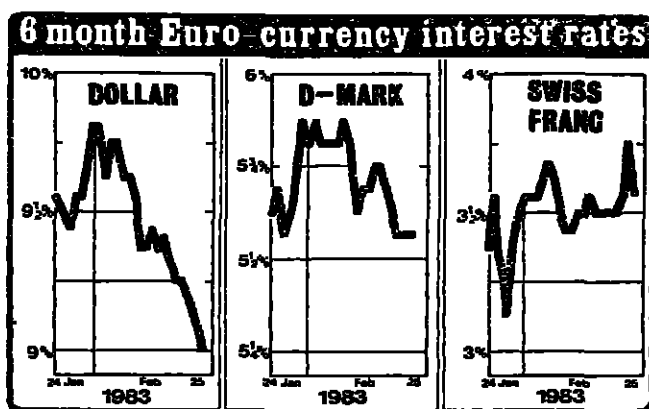
Institutional investors shied away from the market until Thursday and Friday, when they moved in to absorb some of the new issues and high-coupon seasoned bonds. Retail investors were still not back in the market in force, but they were picking at older bonds. A 15% per cent 1992 issue for Caisse Centrale de Cooperation Economique,

for example, shot from a price of 117½ to 118½ on Friday.

By the end of the week the market had shifted from a mood of cautious optimism to something closer to genuine enthusiasm. Although prices in Europe did not move dramatically (½ point up for newer issues and a full point for older bonds), hopes of a reduction in the U.S. discount rate were widespread.

If the discount rate cut comes this week it will almost certainly pave the way for a buoyant market. Declining oil prices, the lowered U.S. prime rate (to 10½ per cent), a strong Treasury Bond market in New York and the appearance of quality names in the Eurobond market should all bode well.

Last week's new issues mostly seemed to be selling reasonably, and there were a few "blow-outs" which provided a psychological fillip. In the wake of the spectacularly successful \$250m Siemens deal (trading at 112 to 113) two more



winners came to market - the Prudential Insurance Company of America and Credit Suisse.

The former, a \$100m 10% per cent 1993 issue, sold out within hours, as did the Credit Suisse \$100m 10% per cent 1990 deal. The two were quoted

this week it might get away with a coupon of between 10 and 10½ per cent.

Now that bankers expect U.S. interest rates to be downwardly mobile once again, the investor demand which was last week sporadic should now pick up. The only question of demand and supply is whether the new issue managers will flood the market to such an extent that it is overburdened once again.

In West Germany, which today sees the launch of a DM 100m bond for Banque Nationale de Paris, the market should follow New York's Friday rally as well. Euro D-Mark prices were ½ point higher last week.

Switzerland is suffering from an extraordinary overhang of unsold new issues and on Friday Union Bank of Switzerland announced it was postponing a planned SwFr 50m private placement for Tokyo

Land Corporation. The postponement reflects not only the burden of new issues, but also the continuing flow of Japanese borrowers.

Of the 69 new issues (public and private) launched since the start of January, some 38 have been for Japanese borrowers. In volume terms this represents SwFr 3bn of SwFr 6bn of new issues.

Japanese borrowers have, in the past, shown a tendency to move into a market which they find attractive and push it as much as they can.

In Switzerland the new issue managers have adopted their own strategy, which is to demand relatively higher coupons on both public and private placement from Japanese companies.

This has worked up to a point, but lately investors have been increasingly resistant, as demonstrated by the postponement of the Tokyo Land issue.

### Doubts persist in wake of loans for Mexico and Brazil

BY PETER MONTAGNON

SOME RELIEF was at hand for both Mexico and Brazil at the end of last week as they seek to draw their shattered economies back from the brink of bankruptcy.

Mexico announced that it had reached its \$5bn target for new loan commitments from commercial banks this year, while on Friday in New York Brazil signed contracts for new loans totalling \$4.4bn and refinancing of maturing debt of \$4.7bn.

There is no disguising the satisfaction felt among leading creditor banks at this achievement. It represents weeks of solid work - seven days a week, and long days at that. The new money for both countries is one of the first tangible signs that the rescue packages designed for badly stricken countries are finally beginning to work despite initial scepticism.

Elsewhere in the banking community there are, however, still some considerable doubts. In Brazil's case this is evidenced by signs that, despite the new money, its external finances remain extremely tight. Simple arithmetic shows that Brazil has to repay short term debts this year exceeding the total new money raised from the commercial banks.

These include the \$2bn raised in short term finance from leading banks late last year, \$1.45bn from the Bank for International Settlements and Saudi Arabia and the \$1.23bn credit line from the U.S. Treasury.

Today it is expected to become assured of a further \$5.4bn in loans due to be approved by the International Monetary Fund, but several bankers still feel that its projection of a \$6bn trade surplus this year is over-optimistic. This means it may need more loans before the year is out. The country is also still \$400m short of its target for restoring interbank lines to foreign branches of Brazilian banks.

The question that remains is how easy it would be to raise new money from commercial banks. Last week's \$4.4bn loan may have scraped the bottom of the barrel. If so, next time round there could be pressure on Brazil to find a new source of cash.

Even two other potential sources of credit, the Bank of International Settlements and the U.S. Treasury, appear to be reacting coolly to the idea of additional help in the form of delaying repayment and a new loan of \$400m respectively.

Similarly, Mexico may face an additional need if the oil price continues to fall. Sr Angel Gurria, its Director of Public Finance, believes that this can be avoided if interest rates fall. Each one point drop in rates saves Mexico \$700m a year, he says, and rates should drop as inflation declines in the wake of the lower oil price. So far, however, there is little sign of relief for beleaguered borrowers on this front. Euro-dollar rates have been relatively flat for several weeks, although prime rates were cut on Friday.

All this points to continuing caution on the part of the international banking community towards the debt problems of the developing world. Some new cases, such as Nigeria, seem to be looming and one problem situation that has been simmering for weeks began to boil over last week as Venezuela closed its exchange markets ahead of the imposition of exchange controls.

In the middle of this week Venezuela's Finance Minister, Sr Arturo Sosa, is due to meet a 19 bank advisory group of creditors in New York. The group includes eight U.S. institutions, one of which, Irving Trust, has not previously figured on such committees. It is to discuss a plan that Venezuela has yet to present on the refinancing of \$8bn in short term debt this year.

Many of these banks are now extremely worried about Venezuela's ability to manage its affairs. Logic suggests that with reserves of between \$8m and \$9m it should not face problems at all.

#### CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
<b>U.S. DOLLARS</b>							
Standard Oil of Ohio	100	1988	5	11½	100	Enclike Secs., Morgan Gty., Salomon Bros.	11.500
Salomon Bank	50	1990	7	11½	100	BA Ind., Salomon Bk. (Europe)	11.500
Weyco Oil	50	1988	15	10	100	Miko Secs., Rube. Fleming, Fuji Bk., Yamashita Secs.	11.050
EB	125	1991	8	11	99½	BNP	11.570
Standard Oil	50	1988	15	11½	99½	Wgm. Stanley, PK Bankers	10.625
Prudential (US)	100	1993	10	10½	100	Hambros, Bache Halsey, CSFB, Salomon Bros.	10.750
Standard Oil	125	1988	7	10½	100	CSFB	10.500
Credit Suisse	100	1988	7	10½	100	CSFB	10.000
ESB	125	1988	5	10	100	CSFB	10.375
First Boston	150	1983	10	10.5	100	First Boston	10.900
World Bank	200	1988	5	10½	99½	Salomon Bros.	10.470
Ontario	100	2013	25	11½	99½	Salomon Bros.	11.500
Ontario	100	1983	9½	11	100	Citicorp, CSFB, Deutsche Bank	11.000
<b>CANADIAN DOLLARS</b>							
Can. Pac. Pulp	50	1993	10	12½	100	Owen Royal Bk.	12.500
<b>D-MARKS</b>							
Yen Bank	150	1990	7	8½	99½	Commerzbank	8.598
Yen Bank	100	1990	7	7½	99½	Commerzbank	7.720
<b>SWISS FRANKS</b>							
Asia Corp.	40	1988	-	3½	100	CS	3.750
Norak Hydro	100	1988	-	5½	98½	SBC	5.550
Generale Desideratale	50	1991	-	5½	100	SBC	6.750
Marine Wfg.	50	1988	-	3½	100	SBC	-
Sanyo Electric	200	1988	-	3½	100	CS	-
TransCan. Pipelines	100	1993	-	5½	100	UBS	5.750
Citicorp.	100	1988	-	4½	100	UBS	4.875
Desoverts	50	1988	-	5½	100	UBS	5.875
Morgan Gty. Tel.	250	1988	-	4½	100	UBS	4.825
Daniels Kaplan Kogro	50	1988	-	5½	100	Paribas (Swiss)	5.875
Asahi Glass	100	1991	-	-	-	SBC	5.750
<b>GOLDEN DOLLARS</b>							
Sweden	150	1993	8	8½	101	Amro Bank	8.324
Conseil. Foods	100	1988	5	7½	100	Amro Bank	7.250
<b>YEN</b>							
Yen Bank	200	1983	10	8	99½	Nomura Secs.	8.198
ESB	200	1983	9	8	99½	Nomura Secs.	8.275

\* Not yet priced. \*\* Final terms. \*\* Placement. \*\* Floating rate note. \*\* Minimum. \$ Convertible. % With warrants. \*\* Registered with U.S. Securities and Exchange Commission. Note: Yields are calculated on ABB basis.

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28th February, 1983



## INTERNATIONAL CAPITAL MARKETS AND COMPANIES

## U.S. BONDS

Confidence returns  
as short-term  
rates decline

THE SPARKLE and confidence returned to the U.S. credit markets last week, as bond prices jumped and short-term interest rates fell.

Banks cut the prime rate another 1/4 percentage point to 10 1/4 per cent and the only disappointment was that the Federal Reserve Board failed, as some had predicted, to slice a similar amount off the 8.5 per cent discount rate.

The markets returned from the extended holiday weekend on Tuesday with renewed confidence, having digested Mr. Paul Volcker's Congressional testimony of the week before.

While the stock market took initial fright over the implications of a possible rate hike, the credit markets had no such hesitation. Lower oil prices, they reasoned, mean lower inflation and further reduce what ever pressure remains on the Fed to rein in monetary growth.

U.S. INTEREST RATES	Week to	Feb 22	Feb 15
3-month T-bill	8.50	8.50	8.50
3-month CD	8.50	8.50	8.50
3-month T-bill	8.50	8.50	8.50
3-month CD	8.50	8.50	8.50
3-month T-bill	8.50	8.50	8.50
3-month CD	8.50	8.50	8.50
3-month T-bill	8.50	8.50	8.50
3-month CD	8.50	8.50	8.50

How long this conjunction of favourable factors will hold together is now the key question facing both investors and corporate treasurers eager to re-schedule corporate debt.

Among the new corporate debt issues launched last week was another tranche of adjustable preferred stock issues. Since May of last year, some \$30n of these hybrid issues have been launched with more than half the total coming in the last two weeks.

The bank holding companies have led the advance, they are particularly attractive to banks, whose stocks are still selling below book.

A further attraction to the issuer is the relatively low yield that has to be paid while the tax-paying investor benefits from the fact that 85 per cent of the preferred stock dividend is exempt from taxation.

Among the straight debt issues launched last week, the City of New York found market conditions favourable enough to increase a \$150m package of bonds to \$201.7m.

In the Corporate sector, Xerox launched a \$100m issue of five-year notes, while Security Pacific launched \$100m of four-year notes priced at par to yield 10.3 per cent.

Meanwhile, the banks, already in the Congressional dog

## SWISS FIDUCIARY FUNDS

## Record flow receding

THE FLOW of fiduciary funds through the Swiss banking system, which had reached record levels in the wake of high short-term interest rates, is now definitely receding.

The country's central bank has just announced a 6.1 per cent decline in these trustee accounts at 71 reporting banks in 1982, the result of a downward trend which began mid-year and accelerated during the final quarter. Similar reports have been made in the past few days by three of Switzerland's top commercial banks.

The statistics do not give a full picture, in that they exclude activities of foreign banks in Switzerland which are believed to account for up to 40 per cent of all fiduciary business. These banks, however, seem to have experienced much the same trend in recent months.

The sector's stagnation is also illustrated by figures for foreign fiduciary assets of 230 banks. The total, which includes accounts placed with the banks' own foreign branches, was SwFr 194.45bn (\$95.79bn) at the end of November 1982, against SwFr 196.96bn at mid-year.

Fiduciary business consists of investments and loan grants made by banks in their own name but on behalf of a client and at the client's own risk. Since transactions basically consist of a channelling of funds into the Euromarkets, high interest rates led to a doubling of volume in 1979 to 1981 and a further increase of about 18 per cent in the first half of last year.

Recent developments have made investments of this kind much less attractive, particularly Swiss-franc fiduciary business, which declined by almost one-third last year. Foreign-currency accounts did increase slightly—by about 5 per cent on the part of the 71 reporting banks—but fell in real terms in view of the change in the dollar/franc exchange rate.

The sharper decline of Swiss franc business—which generally amounts to about one-fifth of the whole—and of Swiss investments placed with the banks' own foreign branches, is attributed to the particularly sharp fall in Euro-Swiss franc interest rates. Between January and Decem-

ber, 1981, the interest rate on three-month deposits in this sector fell from 8.5 per cent to under 6 per cent.

Some of the funds withdrawn from the fiduciary accounts seem to have gone into U.S. Treasury bills. Banks also report growing shifts into bonds, especially dollar bonds, in view of the real interest advantage, and to a certain extent into shares.

Opinions differ as to whether many investors left the fiduciary sector under the threat of some kind of taxation. This seems not to have been the case to any great extent, particularly since there would have been time to shift funds if any such decision had been made. In fact, the threat ended this month when parliament rejected proposals for either a 5 per cent withholding tax on the interest from trustee accounts, a 35 per cent withholding tax on such earnings by Swiss residents or a 0.1 per cent stamp duty on the volume of fiduciary and money-market business.

John Wicks

Sharp rise  
in profits at  
Alfa-Laval

By Our Stockholm Correspondent

ALFA-LAVAL, the Swedish farm equipment and process engineering group, boosted 1982 pre-tax profits by 28 per cent to Skr 657m (\$88m), exceeding company forecasts.

Of the total earnings, which exclude extraordinary costs of Skr 2m, Skr 310m were generated in the past four months. Earnings per share rose to Skr 32, up Skr 7 over 1981. All business groups were said to have contributed to the profit improvement, with particular favourable developments in the industrial division.

Group sales grew 13 per cent to Skr 2.2bn. Sales in the industrial division rose 19 per cent, and again account for more than half of total group sales.

The board has recommended a dividend of Skr 8 per share, up Skr 1 from 1981, a non-recurring bonus payment of Skr 2 per share to celebrate the company's jubilee year.

Ball bearing decline  
hits result at SKF

BY DAVID BROWN IN STOCKHOLM

SKF, the Swedish ball bearing and engineering concern, has reported a 33 per cent fall in year earnings before taxes, from Skr 1,044m to Skr 697m, a change adjusted for Skr 657m in 1981. Sales rose 6 per cent, however, to Skr 14,360m (\$1,936m).

The company blamed the setback on slacker worldwide demand particularly in the ball bearings division, which reported income of Skr 650m on sales of Skr 10.4bn against Skr 851m on Skr 10.1bn a year earlier.

All other divisions reported higher profit margins on increased sales. The most notable improvement was that of the steel operations which swung from a Skr 118m loss in 1981 to a Skr 17m profit last year on sales ahead by 8.7 per cent to Skr 2,376m.

SKF's earnings continued to fall in the second half of last year but SKF said its sales volume held up "fairly well".

Group pre-tax income was

Skr 1,26n against Skr 833m in 1981, reflecting a net gain last year from foreign exchange transactions of Skr 1,044m and from extraordinary items of Skr 428m, mostly from the sale of SKF's stake in Kragensberg. Group net profit was Skr 859m against Skr 567m in 1981.

The board has recommended a Skr 7 dividend per parent company A and B shares and a Skr 10 per C share.

Capital spending last year totalled Skr 799m, against Skr 622m in 1981, of which 50 per cent of 1982's spending was self-financed.

The group expects a gradual improvement in demand this year as a brighter U.S. economic climate begins to stimulate European economic activity. Thus it expects 1983 income before taxes, provisions, and foreign exchange adjustment to be close to 1982's despite an expected deficit in the steel division and periods of short-time working in the first half.

New chief for  
Walt Disney  
Productions

WALT DISNEY PRODUCTIONS has elected its president Mr. Ronald W. Miller as chief executive officer succeeding Mr. E. Cardon Walker, who will resign as chairman and chief executive, May 1. Mr. Raymond L. Watson has been named chairman of the board succeeding Mr. Walker. Mr. Watson, a Disney director for 10 years, will act as price chairman until May. Mr. Walker becomes chairman of the newly-formed executive committee of the board succeeding Mr. Donald B. Tatum, who continues as a director.

Mr. GULF AND WESTERN INDUSTRIES INC has elected Mr. Martin S. Davis vice-chairman and chief executive officer. He was executive vice-president and a member of Gulf and Western's executive committee. The board also elected Mr. Yvette M. Blum as a director to fill the seat of her late husband, Mr. Charles G. Blum, who was general manager of UNION BANK OF SWITZERLAND, is to be nominated for election to the board at its April 7 annual meeting. Mr. Henri Andre, general manager and director of Andre & Co.,

Lausanne, and Mr. Charles F. Fierman, director of Fierman & Co., Geneva, and general manager of Fierman & Co., will also be nominated for board membership. Dr. Kurt Hess, currently board vice-chairman, and Dr. Yves Dantant will be re-elected to the U.S. board.

Mr. Tom Masters will be moving to Hong Kong to join the board of JARDINE MATHESON INSURANCE BROKERS (H.K.) on March 1. He will be responsible for the development of major multi-national accounts. He was a director of Jardine Gilmair (UK).

Mr. Leslie Robinson, formerly an international manager at Barclays Bank International's head office in London, has been appointed representative for the BARCLAYS GROUP in Lagos, Nigeria. Mr. Peter Freeman, formerly attached to the bank's international finance division, London, has been appointed representative for the Barclays Group in Jakarta, Indonesia.

Mr. Wolfgang Schaefer, president of the Helvetic Division of LITTON INDUSTRIES in Freiburg, Germany, has been elected a corporate vice-president of the parent company in Beverly Hills, California. He was previously general manager and vice-president of the group's C. Plath division.

Mr. G. Mead Wyman has left Prime Computer Inc to become

vice-president of finance and administration, at LOTUS DEVELOPMENT. He had been executive vice-president and administration of Prime's international business operations.

Mr. Floyd G. Walters, formerly executive vice-president, has been appointed president and chief operating officer of CATA-



Mr. Floyd Walters, president of Catalytic Inc.

MARKETING COMPANY, Mr. Faisal Al Mulla has been named as general manager. He succeeds Mr. Samy A. MacDonald who is leaving in March to become vice-president at Gerald Metals ASA in Lausanne. The new registration takes account of the 26 per cent shareholding in the company, but it will continue to be known as Balco.

International Business Machines Corp has named Mr. C. Michael Armstrong group executive, IBM INFORMATION SYSTEMS AND COMMUNICATIONS GROUP, succeeding Mr. John F. Akers who was named president. Mr. Armstrong was assistant group executive, Plans and Communications, Information Systems and Technology Group.

Mr. Wilbur L. Stevenson has resigned as president of PEND ORIELLE OIL AND GAS COMPANY, a subsidiary of Gulf Resources. Vice-president, legal, Mr. William M. Wolf will succeed him.

EG&G Inc has appointed Mr. Peter H. Zavattari general manager of its Energy Measurements Group based in Las Vegas. He was deputy general manager.

Mr. Leonard F. Lombardi has been named to the new post of international marketing manager for UNIROVAL CHEMICAL COMPANY, New York. He will be responsible for marketing

Uniroval's line of industrial chemicals and polymers worldwide.

Mr. Leonard P. Judy has been appointed secretary of LIBBY, MCNEILL LIBBY, Chicago-based subsidiary of the Nestle Group. He succeeds Mr. Ian W. Murray, who has been named head of the Toronto company Nestle Enterprises.

Mr. John B. McGilgan and Mr. Paul A. Cran have been appointed joint managing directors of TRINITY BANK, the Dublin-based subsidiary of Brown Shipley and Co. Mr. McGilgan joined the bank in 1973 and was appointed to the board in 1978 as lending and business development director. Mr. Cran joined the bank in 1972 and was appointed to the board in 1977 as operations director.

ROSARIO RESOURCES CORP of New York, a wholly-owned subsidiary of Amstar Inc, has appointed Mr. Michael J. Loomis as director of materials management; Mr. James F. Davidson as purchasing supervisor; Mr. Byron G. Nelson as manager of transportation services; Mr. Kevin P. Manning has been named controller and Mr. Michael S. Crowley has been named vice-president of operations. Mr. Loomis, who has been named vice-president of operations, will be responsible for manufacturing and accounting for

the El Mochito mine in Honduras.

CPI, the European Industrial association for manufacturers of industrial gases and calcium carbide has appointed Mr. Marcus Storck, president of AGA AB, Sweden, as its president and an AGA representative. Mr. Storck has held many offices with the CPI, most recently as president of the industrial gases committee.

Mr. Alfons Budde has been appointed vice-president, economic and technical liaison, of ENOX CHEMICAL SA. Mr. Budde joined Occidental Chemical Europe SA in 1980 as vice-president, manufacturing and technical development. He was involved in the foundation of Enoxy Chemical where he was seconded from January 1 1982.

Mr. Hans-Joerg Farrer has succeeded Dr. Caesar Stucki as management chairman of the Zurich-based industrial and trust company, GROUP FIDES.

Mr. George Andrews has been appointed executive vice-president of FERRANTI INDIANA INC, a U.S. subsidiary of Ferranti, which specialises in the design and service of industrial petrochemical pumps. He comes to Ferranti from Allied Electronic Inc, where he was general manager.

## FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR	Issued	Bid	Offer	Day	Week	Yield
STRAIGHTS						
Amstar 10.5 Fin. 14.5	100	104.12	104.12	0	0	11.73
Amstar 10.5 Fin. 14.5	100	104.12	104.12	0	0	11.73
Amstar 10.5 Fin. 14.5	100	104.12	104.12	0	0	11.73
Amstar 10.5 Fin. 14.5	100	104.12	104.12	0	0	11.73
Amstar 10.5 Fin. 14.5	100	104.12	104.12	0	0	11.73
Amstar 10.5 Fin. 14.5	100	104.12	104.12	0	0	11.73
Amstar 10.5 Fin. 14.5	100	104.12	104.12	0	0	11.73
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Amstar 10.5 Fin. 14.5	100	104.12	104.12	0	0	11.73

EUROBOND TURNOVER	Cedel	Euroclear
U.S. \$ bonds	4,616.8	5,327.9
Previous week	6,770.1	12,519.5
Other bonds	1,645.7	744.6
Previous week	1,563.5	935.0

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# U.S. \$75,000,000

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UNION BANK OF SWITZERLAND (SECURITIES)	S. G. WARBURG & CO. LTD.
ALGEMENE BANK NEDERLAND N.V.	AL-MAL GROUP
ARNHOLD AND S. BLEICHROEDER, INC.	JULIUS BAER INTERNATIONAL
BANCA DEL GOTTARDO	BANCA NAZIONALE DEL LAVORO
BANK OF AMERICA INTERNATIONAL	THE BANK OF BERMUDA
BANK CANADIAN SWITZERLAND (C.I.) LTD.	BANK GUTZWILLER, KURZ BUNGENER (OVERSEAS) LTD.
BANK LEU INTERNATIONAL LTD.	BANK MEES & HOPE NV
BANKERS TRUST INTERNATIONAL	BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT
BANQUE FRANCAISE DU COMMERCE EXTERIEUR	BANQUE GENERALE DU LUXEMBOURG S.A.
BANQUE INDOCHINE	BANQUE INTERNATIONALE A LUXEMBOURG S.A.
BANQUE DE NEUFELF, SCHLUMBERGER, MALLET	BANQUE DE PARIS ET DES PAYS-BAS (SUISSE) SA
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February 22, 1983

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## TECHNOLOGY

LONDON INVENTORS OFFER SOMETHING FOR NOTHING

# Inventions to a client's specific brief

by DAVID FISHLOCK, SCIENCE EDITOR

A SPACIOUS white office in mews off Oxford Street in London, a small team of entrepreneurs is offering to invent products for companies for nothing. Baird and Tatlock, the laboratory suppliers, have them—and now has a new instrument it hopes to sell the oil industry worldwide. Other inventions from Frank Ockrent—the tiny company is a score of patent applications to its name—are already finding their way into the home, one case as a result of direct response selling on commercial TV. For BTR Industries it has invented a way of making satellite broadcasting receiver dishes up to 6 ft in diameter at avoids spinning the dish.

**kills**  
Frank and Ockrent is a five-year-old partnership between Frank, who read maths and "dipped to invention" and the Ockrent (physics followed theatre production), which set out to invent to a specification for industrial companies. They try to invent something that fits in with existing skills, investment and financial sources. They have Mr J. Michael Edwards QC, provost of the City of London Polytechnic, their board for commercial vice.

What they try not to do is invent in a vacuum. "We have to come across a good idea in a private inventor," says Frank. He also believes British industry puts too much invention energy behind efforts to produce profitable by-products "gunk," Frank calls it.

### Marketing

Frank and Ockrent invents to a brief from the client. "It's a marketing job we're doing," says Gary Cursen, the marketing director, who has the job of persuading clients to part with a fee of up to £25,000, half on signing the contract and the balance when Frank and his colleagues have a bright idea they have tested. But the contract says that, though the invention and associated know-how remains the property of Frank and Ockrent, the client gets exclusive access and moreover the inventors waive royalties until the client has recovered his original fee. Baird and Tatlock sought new

ideas from extending their range of laboratory instruments. "We spent a lot of time going round laboratories asking silly questions—it was wonderful," Frank says. They asked such questions as "what takes a long time?" "What's a pain in the neck?" for scientists. Their trawl of a couple of dozen British laboratories spawned many ideas, some still being developed.

But the one Baird and Tatlock bought is for a basic test of any oil industry laboratory called the pour point test—the temperature at which a given oil ceases to flow. As done today, it is tedious and imprecise—but written into the international standard.

Peter Frank is proud of the fact that he spotted the opportunity himself. The inventors worked closely with the Institute of Petroleum to get his invention—much more precise and not operator-dependent—accepted. Gary Cursen estimates that there are 12,000 oil labs worldwide and some will need several dozen of these instruments.

### Opportunities

Baird and Tatlock has reached the stage of making pre-production prototypes for test in laboratories, while the Institute of Petroleum rewrites the specification. Says Frank, "But he foresees still bigger opportunities from an automated version under microprocessor control. 'That's where the real money will come'."

"The most important thing is not that we can make things and make them work, but that we know why they work," Frank believes. Gary Cursen's clients are small-to-medium size manufacturing companies who are willing to let the inventors stay with their innovation all the way into production—and afterwards.

For Helix, which supplies the stationery market with moulded plastic goods such as rulers, protractors and pencil boxes, they invented an alternative to the family photo album. This is the Picture Box, a card index file designed to classify and store 450 post-card-size photographs and to display four of them simultaneously. It has taken only 12 months to put this invention into the shops, this Spring.

But not every invention is welcomed by the client. The



Peter Frank (left), Gary Cursen and Michael Edwards, QC, Provost of the City of London Polytechnic with the pour point test for oil industry laboratories

Alarm Box was rejected—reluctantly—by the hardware manufacturer which sought help, because it was going to cost more than he could afford to invest.

The Alarm Box is simply a strong plastic case for storing small valuables—jewellery, passport, money, etc.—that emits a nasty noise on one could ignore if disturbed by someone who does not know the secret. It is made of a polymer also used for truck bumpers. It also contains sensitive electronics accounting for half the cost of manufacture. They are battery-powered and triggered by the slightest disturbance (a truck bumping through the mews set one off while I was talking to the inventors).

Frank and Ockrent's response to rejections—"because we had got such a good feedback from market research"—was to take advantage of changes in UK tax laws, set up a subsidiary called Quirefive, and make it themselves, subcontracting all manufacture. So far they have invested about £135,000, mainly with the help of the Midland Bank (which bought several for petty cash). Much of it has been

spent on direct-response TV selling, in a campaign late last year. You can buy it from Harrods or H. Samuel's shops.

Now, they are agonising over another rejection, this time from an engineering company which sold off the client company, after the innovation had reached prototype stage. It is a valve small and cheap enough to give time and temperature control to each individual radiator in a central heating system. Frank reckons a home could be fitted with his valves for only £150-£200—"a day's work for a

### Bicycles

## Chinese symposium

THE BIRMINGHAM companies of W. Canning Materials and Canning Engineering (Holdings) have been invited by the Chinese bicycle industry to conduct a joint symposium in Guangzhou (Canton) on non-paint finishes on March 7 and 8.

A total of 180 delegates representing Chinese companies will attend the symposium, which is supported by a small exhibition. The

finishes which will be discussed include high corrosion-resistant nickel chrome, zinc plating, black finishes and plating on to aluminium.

The two Canning companies are leading suppliers of bicycle finishes and associated plant to countries in Europe, the Middle East and Far East. More from: Mr P. J. Norris at W. Canning Materials, Great Hampton Street, Birmingham (Tel: 021-236 8621).

## EDUCATION TO INDUSTRY

# Econet system ready for market

BY ELAINE WILLIAMS

ACORN COMPUTERS developed its Econet system for use in schools as a low cost means for microcomputers to communicate with each other. Now, there are hopes that the cheapness of Econet will also attract industrial applications; the first installations are being considered.

By April the company aims to have the final pieces of equipment which comprise the Econet system on the market though the company announced its development two years ago and some systems have been sold to schools.

Econet, like all local area networks (LANs) is rather like the ring mains in a home which allows different types of electrical equipment to be connected to it. LANS allow computer equipment to be linked in a similar way.

This means that several microcomputers can share necessary but expensive resources such as printers and disks for information storage and retrieval.

Many of the applications which could be taken up by industry have been explored by the Felsted School in Essex, a public school founded in 1564 which has a very keen computing department.

Even before Acorn announced its Econet system, Mr Chris Dawkins, head of computing at the school, had laid a four wire cable around the school buildings. He suggested to Acorn that Felsted should be the guinea pigs and help the company sort out the inevitable bugs in the system. Since then the school has been involved with many new products before they hit the market place.

### Literacy

Mr Dawkins says that the school has 25 BBC microcomputers which are used for a variety of purposes. In the computer laboratory 14 machines are used to teach pupils computer literacy while other machines scattered

around the building are used for teaching subjects such as mathematics and economics.

But the network is also used for preparing tapes used in computer typesetting. The school uses this to print a variety of school documents, school lists, sticky address labels. The Technical Studies Department has prepared a stock control system to keep track of the amount of wood and materials used throughout the year.

Last year the school used one terminal to monitor data from a number of solar heating experiments running on the roof and Mr Dawkins has plans to improve facilities for distributed computing around the school, introduce electronic mail, remote notice boards, and access to outside information sources such as teletext from any computer in the school. These are obviously applications which can be transferred to the commercial world.

### Collection

Acorn is keen to push Econet's potential in industry and business because of its low cost compared with other LANS such as Ethernet, from which Acorn's system is derived. Some applications for Econet include shopfloor data collection or management information systems. Econet allows the use of electronic mail so that messages can be transmitted between terminals.

A single cable is the Econet link and all computer terminals have equal access to the network. Up to 250 microcomputers can be connected on a 500m cable. A special clock ensures that the network is synchronised and two terminal boxes are needed to mark the ends of the network.

If a number of microcomputers have to share resources such as a data base or printer then one of the microcomputers has to be dedicated as a file or printer server to control how the resources are shared between the other terminals in the system.

## Computers

# International Camp

THOSE WHO feel the need to find out something about microcomputers—and the numbers are growing daily—might be interested in an "International Computer Camp" to be held at the University of Southampton over Easter and during July and August.

According to the university, over 0.5m Britons bought themselves a home computer in 1982 which, in percentage terms is twice the number bought by Americans. At least 20 of the models can be bought for a week's salary or less.

So buying one is not too much of a problem with guidance on choice from the many magazines on the subject. Making some kind of worthwhile use of the thing however, is another matter altogether.

The "computer camp" idea was such a success last year that it is being repeated in 1983 in an international form, and is being promoted in Europe and the Americas. The cost will be £140 a week, to include tuition, use of the latest machines and accommodation. Family and friends who want to come along but don't want to compute can pay only for the accommodation at £35 for the week.

More from Dr Lionel Wardle at Computer Holidays, 37 University Road, Southampton SO2 1TL (0703 558621).

This announcement appears as a matter of record only

NEW ISSUE

7th February, 1983

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FLOATING RATE NOTES DUE 1988

In accordance with the provisions of the Notes notice is hereby given that for the interest period from February 28 to August 31, 1983 the Notes will carry an interest rate of 10½% per annum. The interest payable on the relevant interest payment date, August 31, 1983 against Coupon No. 4 will be US\$520.69.

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# INTERNATIONAL CAPITAL MARKETS

MARCH 14 1983

The size, contents and publication dates of Surveys appearing in the Financial Times are subject to change at the discretion of the Editor

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هكذا صنع القوم

**Continued on Page 2**

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25% or more has been paid, the year's high-low range and closing price are based on the new stock only. Under the new rules, notes, rates of dividends are annual distributions based on the latest declaration.

a—dividend also extra(s) b—annual rate of dividend plus stock dividend c—liquidating dividend dld—called "d" new year's dividend e—dividend declared in preceding 12 months f—dividend declared in Canadian funds, subject to 10% non-residence tax, if dividend is not paid in full, subject to stock dividend. j—dividend paid this year, omitted, deferred k—dividend declared at dividend meeting. l—dividend declared in prior this year, in another year m—dividend declared in another year n—new issue in the past 52 weeks. The high-low range begins on the date of the offering, not next day delivery. PVE—price-earnings ratio. v—dividend declared in prior year w—dividend declared in prior year x—stock split. Dividends begin with date of split, date when dividend paid in stock in preceding 12 months, estimated cash dividend paid in stock in preceding 12 months y—dividend recently declared z—dividend declared in prior year

—trading halted. v—t bankruptcy or receivership or other legal organization under the Bankruptcy Act, or securities assumed by receiver or liquidator. w—dividend suspended or suspended with warrants. x—ex-dividend or ex-rights. y—dividend suspended without warrants. y—ex-dividend and sales in full, yld—year's sales in full.







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## Financial Times Conferences

### THE EUROMARKETS IN 1983

London, 8 & 9 March 1983

Chaired by Mr Geoffrey Bell, Director of Schroder International Ltd and Dr Michael von Clemm, Chairman of Credit Suisse First Boston Ltd, this conference will include the following principal speakers: Dr Irving S. Friedman, the First Boston Corporation; Mr Peter E. Leslie, Barclays Bank International Ltd; Mr Norman Robertson, Mellon Bank NA; Mr Giovanni Franzini, Merrill Lynch International Bank Ltd and Mr Thomas McGuire, Moody's Investors Service.

### THE OUTLOOK FOR WORLD GRAINS

London, 22 & 23 March 1983

The keynote address on U.S. Grain Policy will now be given by Mr John R. Block, U.S. Secretary of Agriculture instead of Mr Richard E. Lyng.

### VENTURE CAPITAL

Edinburgh, 21 & 22 April 1983

This major two-day conference will be co-sponsored by the Scottish Development Agency, and Venture Economics Ltd. Speakers will include: Mr Volker Dolch, DLI Dolch Logic Instruments Inc; Mr Robert C. Marshall, Tandem Computers, USA; Mr Stanley E. Pratt, Venture Capital Journal, USA; Mr Gerald A. Lodge, InnoVen, USA; Mr Peter A. Brooke, TA Associates, USA; Mr Elserino Piro, C/O Olivetti & C. SpA, Italy; Mr David J. S. Cooksey, Advent Management Ltd; Mr E. W. M. Twaillhove, NV Indiviers; Mr Michael R. Cumming, Barclays Development Capital Ltd and Mr Dennis Watson, DGXIII Commission of the European Communities.

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## COPENHAGEN HANDELSBANK A/S

The Annual General Meeting  
will be held on Monday, March 21, 1983, at 7.30 p.m.  
at the Bella Center, Center Boulevard, DK-2300 Copenhagen S., Denmark.

### Accounts 1982

At its meeting today the Shareholders' Council of Copenhagen Handelsbank decided to recommend to the Annual General Meeting of Shareholders that a dividend of 16 per cent be declared for 1982.

	1982 Kkr. mill.	1981 Kkr. mill.
<b>Profit and Loss Account:</b>		
Dividend, interest and commission received	6,012.9	5,411.5
Interest paid	-4,209.0	-3,858.6
<b>Net income from interest and commission</b>	<b>1,703.9</b>	<b>1,552.9</b>
Other ordinary income	406.5	335.5
<b>Profit before expenses, etc.</b>	<b>2,110.4</b>	<b>1,888.4</b>
Salaries and pensions	1,018.5	895.1
Other expenses	422.1	1,438.6
<b>Profit on ordinary operations before provisions and depreciation, etc.</b>	<b>671.8</b>	<b>610.5</b>
Provisions for bad and doubtful debts	434.0	403.6
Depreciation of machinery, etc.	81.1	526.1
<b>Extraordinary income and expenses</b>	<b>13.5</b>	<b>11.5</b>
<b>Profit before adjustment for changes in market value of securities</b>	<b>160.2</b>	<b>150.6</b>
Adjustment for changes in market value of securities	503.3	343.0
<b>Profit before taxation</b>	<b>663.5</b>	<b>493.6</b>
Total taxation	-188.1	-121.3
<b>Net profit for the year</b>	<b>477.4</b>	<b>372.3</b>
Plus:		
Transfers from Investment Fund from prior year	30.0	45.0
Transfers from prior year	164.1	180.3
<b>At disposal</b>	<b>671.5</b>	<b>578.6</b>
At disposal, which the Council proposes to distribute as follows:		
Dividend	140.2	127.5
Statutory Reserve Fund	72.0	56.0
Extra Reserve Fund	130.0	110.0
Handelsbank Reserve Fund	2.0	2.0
Handelsbank Willem Fund	1.0	1.0
Handelsbank Foundation	1.0	1.0
Investment Fund to be carried forward to next year	165.3	164.1
<b>Total</b>	<b>671.5</b>	<b>578.6</b>

After these allocations the shareholders' funds stand at Kr. 3,252 million, including new shares of Kr. 85 million, which were issued in May 1982 and brought the share capital up to Kr. 935 million. The total addition to reserves from earnings amounts to Kr. 233 million, which brings the reserves up to Kr. 2,417 million, representing 258 per cent of the share capital.

In May 1982, the Bank invited subscriptions for a new 5 per cent subordinated loan of Kr. 250 million, and in December 1982, it launched an 8 per cent subordinated loan of Kr. 250 million. Both loans had the status of subordinated loan capital. In addition, the Bank raised new subordinated loan capital abroad for 10 million pounds sterling, or Kr. 128 million in December 1982.

Taken together which previously raised subordinated loan capital and other subordinated and end-year exchange adjustments the subordinated loan capital amounts to Kr. 1,312 million, which, added to the shareholders' funds, brings the total capital employed up to Kr. 4,764 million.

Copenhagen, February 16, 1983.

Board of Directors

**COPENHAGEN HANDELSBANK A/S**  
(Aktieselskabets Kjøbenhavn Handelsbank)

## WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are below are based mainly on last year's timetable. The sub-divisions shown

COMPANY	MEETING	DATE	TIME	PLACE
Bank America Corp	Board	28 Feb	10.00	Calif., N.Y.
Bank of America	Board	28 Feb	10.00	Calif., N.Y.
Bank of Montreal	Board	28 Feb	10.00	Calif., N.Y.
Bank of New York	Board	28 Feb	10.00	Calif., N.Y.
Bank of Tokyo	Board	28 Feb	10.00	Calif., N.Y.
Bank of Victoria	Board	28 Feb	10.00	Calif., N.Y.
Bank of Western Australia	Board	28 Feb	10.00	Calif., N.Y.
Bank of Western Canada	Board	28 Feb	10.00	Calif., N.Y.
Bank of Western Europe	Board	28 Feb	10.00	Calif., N.Y.
Bank of Western India	Board	28 Feb	10.00	Calif., N.Y.
Bank of Western Japan	Board	28 Feb	10.00	Calif., N.Y.
Bank of Western Korea	Board	28 Feb	10.00	Calif., N.Y.
Bank of Western Latin America	Board	28 Feb	10.00	Calif., N.Y.
Bank of Western Middle East	Board	28 Feb	10.00	Calif., N.Y.
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# Are you one of Europe's top 500 companies?

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The FT has devised a way of measuring the value and performance of European companies - a way that is realistic and enables you to compare diverse companies offering a kaleidoscope of products and services.

The yardstick is market capitalisation - the value of each company's share (based upon information from leading European stock exchanges) multiplied by the number of shares in the company. And the survey ranks the top 500 companies.

13 European countries are represented in this year's list. Britain leads with 233 followed by West Germany with 79, on down to Norway, Finland and Ireland with less than 6.

The FT's tables rank the top publicly-quoted companies, including banks throughout Europe. And one table ranks the top UK companies, with an analysis of major UK trends.

The articles which accompany the figures explain some of the surprises - for instance why Marks and Spencer comes No. 48 measured by sales, but shoots up to No. 4 measured on the FT's market capitalisation scale.

The FT survey is a double-first. The first time European companies have been measured in a way which makes comparisons meaningful. And the first of what will now be an annual survey.

This 8-page survey gives you the base for future reference. Reprints are available price £2.50 from the addresses below.

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## INSURANCE & OVERSEAS MANAGED FUNDS

[illegible]











## CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

## Oil holds the stage

BY COLIN MILLHAM

Oil remained at the centre of attention in the foreign exchange market last week. U.S. markets were closed on Monday for Washington's birthday, and this may have put increased pressure on sterling as traders tended to buy the Japanese yen and the mark following the news from Nigeria of an oil price cut of \$5.50 a barrel, to compete with the North Sea cut of \$3 on the previous Friday. Rumours then began to circulate about cuts of up to \$7 in the Saudi Arabian benchmark price, while the market became more confused about the probable impact of these lower prices.

As the week ended nothing had been decided by Opec how-

ever, although there were signs of growing co-operation between producers in the Middle East, Latin America, and Europe to prevent a price war.

The exchanges finished on a quiet note, awaiting the outcome of this week's Opec meeting, and paid very little attention to some good trade figures from West Germany on Friday, and equally bad figures from the UK on Thursday.

On Tuesday sterling's trade-weighted index fell to 78.7, the lowest since June 1978, but it improved to 80.4 on Friday, compared with 80.7 at the end of the previous week. Wednesday morning the pound touched an all time trading low of \$1.5120 against the dollar, but

this was more a sign of the dollar's strength rather than any extreme weakness of sterling, since the pound was staying firm against Continentals at the time. The demand for the U.S. currency reflected the growing confusion in the market about the economic consequences of lower oil.

Even the D-mark and yen failed to benefit despite Germany's and Japan's large imports of energy. The German election tended to restrict trading in the D-mark, while the yen may have suffered from

fears that lower oil revenues would reduce Middle Eastern investment in Japan. But the main confusion was about the effects of lower prices on the economies of the U.S. and poorer oil producing countries. One argument suggested that the oil situation would speed the growth in U.S. economic activity, while the other pointed to fears that lower oil prices would increase the debt problems of heavily borrowed producers such as Mexico, exaggerating the world banking crisis.

## FORWARD RATES AGAINST STERLING

	Spot	1 month	3 months	6 months	12 months
Dollar	1.5200	1.5200	1.5191	1.5172	1.5092
D-Mark	3.6800	3.6800	3.6800	3.6800	3.6800
French Franc	10.4600	10.4600	10.4600	10.4600	10.4600
Swiss Franc	3.0000	3.0000	3.0000	3.0000	3.0000
Japanese Yen	359.0	359.0	359.0	359.0	359.0

## BANK OF ENGLAND TREASURY BILL TENDER

	Feb. 25	Feb. 18		Feb. 25	Feb. 18
Bills on offer.....	£100m	£100m	Top accepted rate of discount	10.6898%	10.6492%
Total of applications.....	£257.89 m	£356.53 m	Average		
Amount allocated.....	£100m	£100m	Average discount	10.8459%	10.6545%
Minimum			Average yield.....	11.14%	10.92%
accepted bid.	£97.285	£97.345	Amount on offer at next tender		
Allocation at minimum level.....	27%	27%		£100m	£100m

## CURRENCY MOVEMENTS

	Feb. 25	Bank of England Index	Morgan Guaranty Index	Special	European
Sterling	80.4	100	100	100	100
U.S. dollar	119.7	100	100	100	100
Canadian dollar	90.0	100	100	100	100
Australian dollar	120.0	100	100	100	100
Belgian franc	90.0	100	100	100	100
D-Mark	119.7	100	100	100	100
French franc	100.0	100	100	100	100
Swiss franc	100.0	100	100	100	100
Japanese yen	359.0	100	100	100	100

Based on trade weighted changes from Feb. 25 1978 to Feb. 25 1979.

Bank of England Index (base average 1975-1980).

\* CS/SDR rate for Feb. 25 1979: 1.5200.

U.K. and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial rate 75.00-76.10.

Six-month forward dollar 1.55-1.56c. 12-month 1.55-1.56c.

Swiss rate is for convertible francs. Financial rate 43.72-48.82.

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\$7m points of 100.					\$100.00 32nds of 100.				
	Close	High	Low	Prev		Close	High	Low	Prev
March	91.22	91.22	91.22	91.12	March	77.21	77.21	77.02	76.92
June	91.27	91.27	91.27	91.25	June	77.20	77.20	76.17	76.15
Sept	90.76	90.78	90.62	90.56	Sept	76.11	76.20	75.71	75.71
Dec	90.50	—	—	90.32	Dec	75.28	76.02	75.15	75.15
March	90.50	—	—	89.98	March	75.12	75.21	74.20	74.20
Volume 1,672 (990)					June 74.24 74.31 74.28 74.23				
Total amt. 2,907 (2,889)									



## ADVERTISEMENT JAPAN-EC SYMPOSIUM

# TOWARDS FURTHER DEVELOPMENT OF JAPAN-EC ECONOMIC RELATIONS — PROSPECTS OF INDUSTRIAL COOPERATION —

About 350 representatives from Governments and leading business sectors in Europe and Japan met in Brussels on January 20th and 21st to hold the second Japan-EC Symposium.

The meeting, co-sponsored by the Commission of the European Community, the Japanese Ministry of International Trade and Industry and the Japan-EC Symposium Committee, followed the first such symposium held 14 months ago in November 1981. At that time, business and government representatives of both Japan and Europe met together in Tokyo for the first time to narrow their differences and reach better mutual understanding.

At this year's symposium, representatives of both sides agreed that, given the worsening economic climate and the rise of protectionist tendencies in European markets, they should both promote industrial cooperation and work together to help revitalize the world economy.

During the two-day symposium, panelists and speakers actively exchanged views on investment, world economy, technological exchange, and research and development activities.

At the opening session of the symposium, Japanese Prime Minister Yasuhiro Nakasone, who was unable to attend the seminar, sent a message to express his full support for the efforts to promote mutual understanding and cooperation between Japan and Europe. Gaston Thorn, the EC Commission President, and the Japanese Ambassador to the EC, Hideo Kagami, also addressed the meeting.

The entire symposium was co-chaired by Leslie Fielding, Director-General for External Relations of the EC Commission, Fernand Braun, Director-General for Internal Market and Industrial Affairs of the EC Commission, and by Kunio Komatsu, Vice Minister of MITI. The panel discussions were coordinated by Edmund Wellenstein, Special Counsellor to the EC Commission, and Naohiro Amaya, Special Advisor to MITI.

The following are summaries of speeches given at the meetings.



From left to right, Mr. Masafumi Misu, Advisor to the Board, Hitachi Ltd.; Mr. Karl Rudolf Stahl, Member of the Board of Management, Robert Bosch GmbH; Mr. Naohiro Amaya, Special Advisor to the Ministry of International Trade and Industry; Mr. Edmond Peter Wellenstein, Special Counsellor to the EC Commission; Mr. Hideo Sugita, Chairman of Honda Motor Co., Ltd.; Mr. Ludwig Poulain, Advisor to Grundig GmbH; Mr. Kunio Komatsu, Vice-Minister for International Affairs, Ministry of International Trade and Industry; and Mr. Leslie Fielding, Director-General for External Relations of the EC Commission.

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## ADVERTISEMENT

ECONOMIC POLICY IN JAPAN AND IN THE EUROPEAN COMMUNITY  
AND THE WORLD ECONOMY

Mr. S. Yamanaka  
Minister  
International Trade and Industry

It is clear for anyone that we cannot hope for Free World security unless we also have stability and prosperity in Japan and the EC. What is more, there is great potential between Japan and the EC for cooperative relations which would rebound to both our benefit. I am very hopeful that this two-day symposium will result in the rediscovery of this indispensable cooperative relationship.

Looking out on the world economy, we have yet to see any sure signs of recovery from the global recession sparked by the second oil crisis. Mining and manufacturing production is down in all countries, and all of us share heightening concern for the growing unemployment which strikes our people. It is the worse situation since the 1930's.

In Japan, manufacturing production has been stop and go for the last year. The growth rate is down precipitously from what it was during our years of rapid growth. Nor does Japan enjoy the growth lead that it once had over the other industrialized countries. Whereas the United States forecast annual growth of approximately 2% per annum, the Japanese outlook for the fiscal year starting this April is only about 3.4%. Even if we wanted to undertake stimulative policies, our options are sharply limited. Rather, we are, like the European countries, faced with the question of looking at automobile and electronics industries, for example. Both domestic sales and exports have slipped since last year. There is also serious recession plaguing the basic material industries such as petrochemicals and aluminium smelting; these basic material industries account for 1/3 by value of all Japanese industrial shipments.

Soaring energy prices fueled by the two major oil crises have thrown us all — Japan, Europe and the United States — face to face with the need for worldwide industrial restructuring. Yet in searching

for a common ground for us — three main economic powers together accounting for approximately 60% of the global GNP — we must not let that common ground be one of animosity and confrontation. Rather, we must recognise that we have a responsibility to find our common grounds in the ideals of cooperation and solidarity.

Since its establishment in November last, the Nakasone government in Japan has worked hard and exercised forceful leadership to contribute to international efforts to overcome these difficult times.

In the fiscal 1983 budget drawn up late last year, the Japanese government made a move to drastically trim excess spending and cut back on our budgetary deficit. Even so the government made an exception of its outlays for supplying aid to developing countries, and we are determined to expand and improve our contributions for their stability.

In our trade relations, starting April Japan will unilaterally reduce its tariffs on 322 items including chocolates, biscuits, agricultural tractors and tobacco. Along with simplifying and improving import inspection procedures and strengthening the Office of Trade Ombudsman, we are reviewing the entire range of import inspection and standard-setting procedures, and we are prepared to amend the laws when those laws are found wanting. We have also exercised considerable restraint to avoid exports in torrential manner in specific product categories — although there is a limit to what we can do in our free-market economy.

As far as industrial cooperation there was little Japanese investment in the EC in the 1960's except for such areas as zippers and stationery supplies. In the 1970's, this grew to include bearing production, colour television production, chemicals and synthetic fabrics. In the 1980's Nissan and Honda have begun production in Europe. Other companies — specifically Japan Victor Co., Sony, Matsushita, Hitachi and Sanyo are apparently getting ready to start VTR production here as well. In robotics, Fanuc teamed up with the 600 Group in the U.K. to begin production of industrial robots. In France, Toray and Elf Aquitaine have formed a joint venture to go into carbon fibres. Fujitsu, Toshiba and other companies are also getting ready to start European production of integrated circuits (IC's). The number of investments has increased from 12 in the '60's to 68 in the '70's, and in just the first three years of the 1980's we have had 40 investments made or decided upon already. This has led to contributing to the creation of approximately 26,000 jobs for the Community.

There has also been striking growth in the field of technical cooperation. A number of major agreements have been reached in the last few months in such in-

dustries as industrial robotics, petrochemicals and telecommunications equipment. I can note here the agreements between Hitachi and GEC, between ICI and Mitsui Petrochemical, between Hitachi and Thomson and between Fujitsu and Siemens.

Still, the cross-investment between Japan and the EC lags behind those between the EC and the United States. We need to do more in this area, and we will.

I would like to make three proposals for advancing industrial cooperation between Japan and the EC.

First, that there be a forum for regular consultations between MITI and the EC Commission so that we can share our thinking on how best to promote industrial cooperation.

Second, that our governments should do more to create a climate conducive to such industrial cooperation. For example, the Japanese government has already decided to extend financial support to such cooperation beginning fiscal 1983.

Third, that we enhance personal contacts as a means of promoting industrial cooperation. As evidence of my own good faith, I promise you here that we will invite approximately 30 leading Europeans to Japan in 1983 in an effort to promote improved mutual understanding.

As the Oriental maxim goes "One hand does not clap", it means that nothing can be accomplished without mutual cooperation. It is essential that Japan and the EC work together to mobilise our great economies for our mutual good and for the good of the entire world economy.



Viscount E. Davignon  
Vice-President  
Commission of the European  
Communities

The first question I would like to raise at this symposium is whether we really wish to conceive relations between the European Community and Japan as relations between the Community and Japan or between Japan and the member states of the community, but not the Community itself.

Up to the first half of 1982 the thinking was that bilateral relations predominated the relations between the member states of the Community and Japan. The development of a structured relationship between the community and Japan barely got off to a clearcut start in the second half of 1982 and the beginning of 1983. I

think the meeting with the ambassadors of the Community in Tokyo early in January demonstrated that you were prepared to deal with an entity in the same way as we have had this relationship between this bloc for a long time with the U.S. This is important because we want to know what guarantee we get from the agreements between Japan and the Community. Is it just a communique rather like the parsley on the steak or is it really part and parcel of what's on the menu? The second question is cooperation. Everyone here seems to recognize that cooperation is good provided that it is genuine. It's not because we've got social or economic problems that you're going to cooperate. Cooperation is not a substitute to help get over your problems. Unless both parties see their interest in cooperation, there cannot be a durable cooperation.

Secondly, cooperation has to be a two-way street. It has to be beneficial to everyone. We are not just talking about Japanese investment in the community, but also about the Community's investment in Japan. The basic condition is that Japanese investors in Europe are dealing with a certain legal and banking and institutional set-up, and their situation has to be on an equal footing with those faced by European institutional investment in Japan. If you don't have similar conditions prevailing, then you're going to have all sorts of difficulties in investment as we have already seen in Japan. Why do we want to have an open and protectionist-free society? Because you know fully well you can't have genuine competition if you can't bring your trade to that person's country in the same way he brings to yours. If you can't have trade on equal terms, then you're going to have disputes and squabbles. In the European Community, we have welcomed investments where they have contributed to the economic life of the Community.

We are all victims of fixed idea set ideas. You amusingly spoke of the Japanese as they are seen as fanatical workers. Well that is true that caricatures of that kind are rife in Europe. It is true, too, that a similar caricature exists in Japan vis-à-vis Europe, which is the mirror image. There are in Europe people who don't want to work, people who sit on their bottoms and want holidays, they have social security because they can't invent anything else and because they have to protect their position. These caricatures are just as ridiculous as the others. Today in Europe Governments and industrialists alike are trying to work out their strategies for both industrial and economic growth. Europe's future potential and growth depend on this. And

it's in everyone's interest to help this enterprise along. If we haven't got the strength as a Community, then everything will be gone. But we have that determination to survive. We therefore ask for what we call commercial moderation, a moderation that we practiced when Europe was in full expansion and when other countries had their difficulties. It's one of our elements of interdependence. It is in this context that we must regard the efforts that are being made in order to balance our trade and other efforts to resist the pressure that bear upon us. The European Commission are absolutely sure that protectionism can for us be a definite source of destruction, more so for us than for Japan. Once protectionism gains the upper hand, it won't only be the European entity that will be threatened, it is the very existence of that entity.

The community will cease to exist once it becomes protectionist, it will break apart from the inside.

What I've said just there is not a contradiction. It does not contradict the efforts that we are making to find moderation, commercial caution, so that we can continue our economic activities.

Now there are a whole series of areas where cooperation between the Community and Japan has not developed enough yet. The main reason is that we have not made enough effort to develop cooperation. Why hasn't our scientific and technical cooperation developed more than it has? Why haven't Japan and Europe, both relatively badly endowed with energy, got together for a large-scale energy cooperation? This is an area which we should explore because this would create relations and a framework and a structure which would be of interest to both parties.

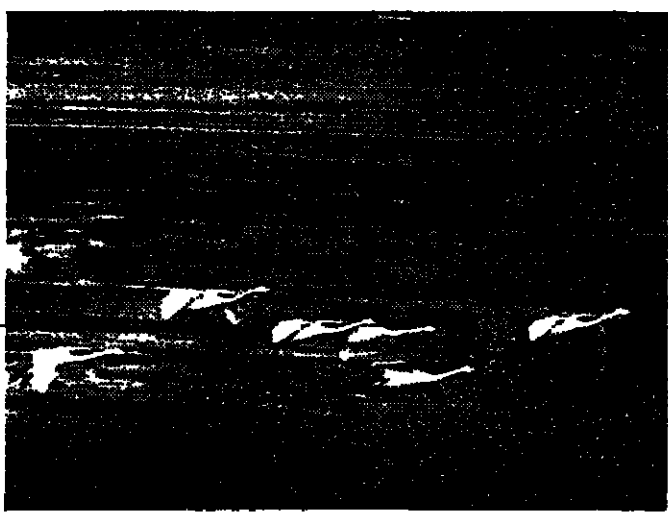
If I were to take stock of the work that has been achieved over the last 14 months, I would say that cooperation between Japan and the Community is still something which we talk about in the future tense and not enough in the present tense. Mr. Nakasone has said he wants the government to be a government of action, let's try and make sure that Japan and the Community as entities that take action rather than entities that indulge in mutual recrimination.

We will be able to provide the background for you to go ahead with cooperation on a mutually rewarding basis. Obviously if you don't have identical interests then this is not going to work. We have to be sure that we have these identical terms so that we can promote such cooperation.



Minister of International Trade and Industry, Mr. S. Yamanaka (centre) talking with Viscount Etienne Davignon, Vice-President of the EC Commission. From left to right, Mr. Kunio Komatsu, Vice-Minister for International Affairs, Ministry of International Trade and Industry and Mr. Leslie Fielding, Director-General for External Relations of the EC Commission.

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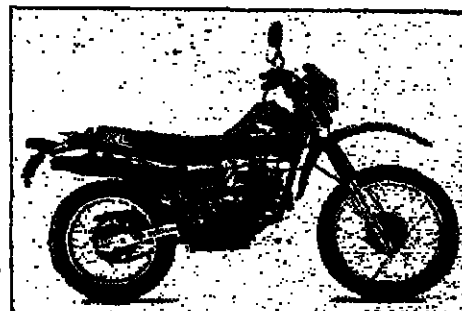
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Through these experiences, I strongly feel that a direct investment calls for a total transfer of corporate resources such as money, management and technology. It has a long lasting impact on the economic as well as cultural relationship between EC and Japan through the human integration into local community.



Mr. M. Misu  
Advisor to the Board  
Hitachi, Ltd.

Let me first review briefly the present situation of direct investment between Europe and Japan. On the electrical and electronics industry where our company is engaged, the manufacturing investment from Japan to EC totals 26 cases. Consumer electronics occupies 16 cases and electronic components 5 cases, whereas the investment from Europe to Japan in the corresponding field is only 9 cases. Hitachi, Ltd., has a wide network in Europe: we have European sales headquarters in London with many other sales companies almost in every European country, each covering certain product areas. As for manufacturing operations, we have two wholly-owned subsidiaries in Federal Republic of Germany, one for production of semiconductor and the other for video tape recorders. We also have one joint venture with GEC for production of colour television receivers in the U.K. These products are sold through Hitachi's European sales subsidiary companies and in the case of colour television receivers, they are sold both through GEC's sales company and Hitachi's own sales company. In each manufacturing company, we have around 5 Japanese key members of staff but the other management positions are designated to local people and we are successfully combining the skill and knowledge of these European and Japanese staff for the same target. Also in Japan, we have a case of joint venture company for a manufacture of boilers and anti-pollution equipment with Babcock International Ltd. of the U.K. This joint venture company has a successful history of 20 years.

I think the major secret for the success of Japanese companies lies in its traditional cultural environment. For example, I feel that the relationship between a trade union and a company is very different in Japan from those in Europe. Trade union leadership in Europe is outside a company, and these union leaders seem to think less of the company's prosperity compared with their Japanese counterparts. Japanese companies also cooperate more closely with parts suppliers for improvement of component parts being produced. Japanese management does not have to be sensitive to a trend of profit every quarter of a year like European or some American management since our management is evaluated on a long term basis. As its result, Japanese management traditionally can give much more consideration to employees than to shareholders. For Japanese managers, creation and maintenance of pleasant and harmonious work environment is very important concern and transfer of responsibility to younger generation is very much encouraged, because building up of managerial resources through intra-company education process guarantees a continuity and internal growth of a company.

For this reason, we could say that success of overseas direct investment heavily depends upon how much and how well we could transfer the successful aspects of Japanese companies into foreign environment beyond high cultural barriers existing between Europe and Japan. I think we need time to realize this and therefore we have to take a long term view in order to judge a success or failure of direct investment.

We have noted that companies such as TI and Fairchild are actively establishing semiconductor plants in Japan. Recently the average English proficiency level of Japanese people has considerably improved. So, I believe a language barrier is no longer a significant obstacle for the investment of European companies in Japan, and we welcome arrivals of respectable competitors to Japan.

We were once told by the representative of a certain European development agency that the reason they were keenly inviting investment from Japan was that Japanese companies tend to consider direct investment on a more long-term basis than European or American counterparts. They see Japanese companies putting on the continuity of estab-

lished companies and the stability of operations including employment. I agree with this observation.

However, Japanese companies could be discouraged from investing overseas if a host country government takes a short-term view to solve or alleviate its domestic difficulties such as trade imbalance or unemployment. It might impose conditions such as minimum export target, while it might disregard profit; or location at highly unemployed area, while it might not be a suitable location on a long term basis; or guarantee to employ a certain number of people, while it might impair efforts to automation and efficiency improvement; or use of locally made components at certain level, while it might also not necessarily guarantee the best price, quality and delivery conditions. These conditions could very often become vital obstacles against positive investment attitude of Japanese companies into Europe.

I do not favour using direct investment as a countermeasure for short-term economic problems. What Japanese companies expect from a host country government is an understanding of this mentality in Japanese companies and preparation of boundary conditions, such as education, labour relationship, infrastructure as well as stable economic conditions. These conditions will promise a long-term success and continuity of operation of Japanese companies in Europe. We would of course appreciate the generous grant of incentives being offered by several governments in Europe when we invest into the special areas calling for regional development. However, such a grant of incentives should not be a "compensation" to offset the lack of necessary boundary conditions for a successful long-term investment. It is against the mentality and practice of Japanese companies to withdraw from once-established investment site immediately after it receives a handsome investment grant.

So far I have spoken of the general philosophy of direct investment between Europe and Japan. As I conclude this speech, I would like to stress that the most important prerequisite for the success of inter-territorial investment activities is communications. Unless we could establish very good communication at each level of operation, we can not expect a genuine team work of the people to aim at the same target. For this purpose, we have to learn not only the local language but also the customs and the values of the local people with whom we work. I am sure you will share my view that nothing gives you more pleasure than finding genuine friends in our life. And these inter-territorial activities will promise you not only economic success but also finding friends in a wider international society.



Mr. R. Stahl  
Member, Executive Board of  
Management  
Robert Bosch GmbH

When I speak of investment, please allow me to use the term loosely, not only confined to capital investment but in a wider sense to all types of investment and co-operations in Japan.

Based on our very practical experiences which date back to before the second World War, I would like to discuss the following subjects — one; license agreement, two; joint ventures, three; acquisition of Japanese firms, and four; the starting up of a new manufacturing company in Japan.

I'll start with patent knowhow licenses to an investment which is mainly in developing countries which have closed their borders to develop their own industry.

Contrary to our own country, Japan has unfortunately followed such a policy until the end of the 60's. All of our major license agreements fall into this period or into an even earlier phase. They have made it possible for our products to be manufactured in Japan. In addition, we have been able to build a rather sizeable equity holding, and we have also been able to mutually extend license talks into a wider ranging regular technical exchange that are invaluable to both sides today.

Nevertheless, those license agreements have effectively eliminated the possibility to participate actively in the Japanese market with the licensed products. We are an industrial producer and we are interested in extending our product base in both quality and even quantity. We are suppliers of hardware, not software. And therefore the licenses are at a low priority of the company's strategy.

In order to get a foothold with our own products, we tried to get into mutual supply arrangements with companies from which we purchase products in

substantial quantities. While quality, price, product acceptance were all positive, we still failed because the do-it-yourself policy which was instilled in the Japanese industry at an earlier phase was still very much alive.

Apart from the often discussed non-tariff barriers, there are even more barriers in the form of product regulations. In the case of electric appliances and apparatuses, these regulations make adaptations necessary which lead in the end to higher cost products and therefore to reduced competitiveness.

The next form of investment I want to discuss is joint venture with Japanese partners on a 50-50 basis. The knowhow usually comes from the foreign partner, production takes place in an existing facility of the Japanese partners, and product sales is done by the also existing sales organization of the Japanese partner. We are a partner in one of those joint ventures and we are not overjoyed with the result because it operates more or less like a licensed company with a rather high capital participation but with relatively small influence on the overall operation.

The quickest and safest way to invest in Japan and get a substantial foothold appears to be the acquisition of a company suitable for the particular purpose in mind. We have made two very sincere attempts at that direction. In both cases, we had for the prospective partners an attractive and well accepted product range, of high technical standard complementary to that of the partners. They should have certainly been competitive on the market if manufactured locally. Our participation would have meant for the companies significant expansion in size as well as in market share. However, we had to abandon negotiations in both cases because the percentage of shareholding we thought was essential for us as well as the requested necessary participation in management. We felt that the arguments for the failure were, in our view, not exactly rational. They were once again the preference to do the same with the help of license agreement, rather than with a partner, and a fact that a significant participation still means a sell-out to foreign interest, and is very hard or impossible to defend to the other larger shareholders of such particular Japanese companies.

After all the described attempts to invest in Japan and to actively participate in the industrial and commercial life of Japan, we have decided on the only remaining road that is to start a manufacturing company from scratch. We had originally shied away from doing this because of the difficulties that present themselves and the relatively high risk involved. The major problem appeared to be a very specific labour market in Japan where it is difficult for a foreign company to attract personnel in sufficient numbers

and in the necessary quality, where there appears to be a certain stigma attached to joining a foreign company. We hope to have solved this and other problems, by taking a competent and well respected partner with a one third shareholding into the company, who assists us in the management and who will act as a major supplier of parts. Our partner is Toray Engineering, a subsidiary of Toray Industries. We will learn to walk slowly in this venture, and start with assembling packaging machines from imported parts and local parts. And we will go from there to a higher degree of integration if it should become necessary. The sales organization which we have built up together with market for our packaging machines were for many years in our trading company, the Robert Bosch Japan, that has been transferred to the new company. We are now looking forward to the development of a successful investment in Japan.

I can now summarise, and say that it is very well possible and interesting for European companies to invest in Japan, but that the strategy to be followed has to be laid down very clearly and alternative routes have to be planned beforehand.

Let me just mention a few points which have to be included in this strategic plan. Acquisition of a thorough knowledge of the Japanese distribution system, the formation of motivated team consisting of European and Japanese employees, the introduction of the product into the market in order to create volume base, a thorough search for a financially strong, compatible partner and a decision on the form of investment where, from our experience, pure license agreement are at the very low end of the scale. Mixed European-Japanese management selected on the basis of competence rather than seniority takes highest rank.

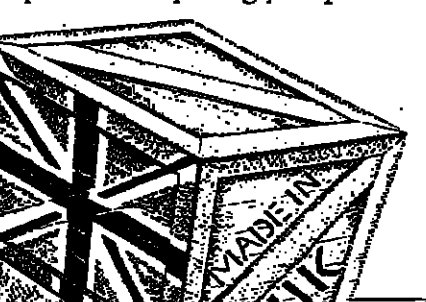
To our Japanese friends I would like to add, that the often heard criticism — "you are not trying hard enough," is, in our view, not relevant because we were prevented from entering the market during the very interesting years of rapid growth and are only now allowed to participate when the cake has been cut and the pieces are more or less taken. It is, in our opinion, not enough to eradicate the remainders of the hot house atmosphere. What should follow is a concerted counter-offensive to drive home the point that the road to salvation does not lie in the do-it-yourself but in work sharing. That opening of the market in its broadest sense does not only mean foreign capital participation but also foreign participation in management. I was very happy to hear Mr. Misu express that he strongly feels that not only money, technology but also management should be transferred. If this attitude can be disseminated, we are moving into the right direction as far as European investment in Japan is concerned.

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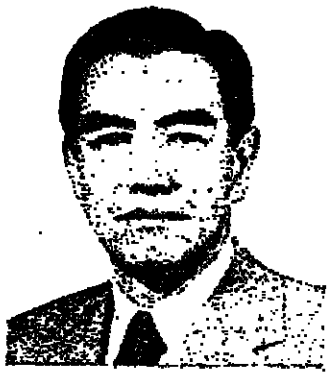
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## ADVERTISEMENT

## JAPANESE INVESTMENTS IN EUROPE AND EUROPEAN INVESTMENTS IN JAPAN



Mr. H. Sugiura  
Chairman  
Honda Motor Co., Ltd.

I would like to take the liberty to talk about an actual case of industrial cooperation, based on my personal experience of having participated in corporate decision-making as an executive of Honda Motor Co.

The stagnation of the world economy has caused some friction between nations. It can be said that the economic and, particularly, trade relations between Japan and EC have become political issues.

On the other hand, never before have we seen closer interdependence among nations than today. I believe that the problems between Japan and EC should not be resolved only by political means; the businessmen of Japan and EC, too, should think of possible solutions on the industrial level and implement them one by one, starting with those which are easiest to carry out.

It is necessary, first of all, to respond aptly to the severe international environment and to the economic environment and industrial policies of each nation.

Such corporate posture, I believe, contributes greatly towards the advancement of international industrial cooperation. From this standpoint, Honda has undertaken vigorous corporate activities, directly investing capital overseas at its own risk. In the early stages, the overseas investments of Japanese manufacturers in advanced countries were made in the field of distribution and service, mainly for the purpose of expanding exports. Most of the Japanese automobile industry's investments in Europe took this form.

In the 1960s, Honda quickly established wholly-owned marketing companies in West Germany, France and the United Kingdom. In 1962, we established in Bel-

gium a moped manufacturing company with direct investment. This was probably the first case in history of a Japanese company setting up a manufacturing base in a country in industrially advanced Europe. For a Japanese company of those days, it was an epoch-making step. This project was troubled in the early years by low plant operation rate due to poor sales. Losses continued year after year and at one time we faced a crisis which made doubtful the continued existence of the project.

The biggest reason which brought about the crisis was lack of understanding of local conditions. The new model which Honda so confidently put on the market did not meet European consumer needs. Because too much of the design and technology that went into the model were uniquely Honda, we had difficulty procuring components locally.

For all these reasons, it took 12 years before Honda Benelux N.V. was able to post its first profit.

It was a painful experience which defies description. However, to this day, we do not think that the "tuition" we paid was too high.

At the outset, we thought we were sufficiently aware of the fact that a Japanese company settling down in a Western society and working together with Western people needed to understand the differences in social systems, sense of values and work ethics between the Japanese and the local societies. However, we realized time and again through the hard way that our understanding was in fact inadequate in many instances. We learned that true understanding is gained only through long years of hardships and many failures.

In order to achieve the final goal of international universality of economy by transcending the absolute differences in national culture and mentality, Honda immerses itself in a country or region and accepts its culture and mentality as they are.

As you are well aware, the European automobile industry has for many years maintained a production level of about 10 million units a year. EC's small car market is already fully matured, and it is not easy for the many established automobile makers to expand demand. More than half of the makers have been in the red in recent years and some of them are being helped by their government. The automobile industry is a broadly based comprehensive industry and has played a very important role in providing employment. In the past three-four years, however, it has produced unemployment. Thus, it cannot be helped that relief for depressed auto makers has become a political problem. With the circumstances of the EC car market being such, if a Japanese auto maker should make a direct investment and build a new fac-

tory, the production capacity of the established European manufacturers would be affected and their existence may be threatened. Even if direct investment, from overseas were desirable to EC which is troubled by chronic unemployment, it is doubtful whether it could accept the establishment of Japanese automobile plants in a situation where the car production capacity of EC as a whole is in surplus.

Having studied and understood this situation thoroughly, Honda chose to pick a partner for tie-up cooperation and to develop together with that partner.

Let me explain in greater detail the basic thinking and the actual operation of the tie-up cooperation between Honda and BL.

The points which Honda considered as most important were firstly that there be profit and merit for both parties and secondly that the two parties retain their respective corporate identities.

This resulted first, in technical advance through mutual exchange of technology, second, in bolstering the competitiveness of both parties, and third, in not causing a bad effect on the balance of international payments.

This pattern of tie-up cooperation was the only way in which damage to the production capacity of both sides could be avoided and Honda's technology and high production efficiency could be shared.

The merit of the tie-up cooperation between Japan's Honda and Britain's BL lies in the fact that a car can be developed in shorter time and at less cost through the joint use of the development capabilities of the two companies and of the two countries. The result is that a product which is desired by the consumer can be supplied at a cheaper price. Moreover, the investment efficiency is much higher than in the case of a single company making an enormous investment by itself. This indicates that the process of mutual development through cooperation is going on to a more advanced dimension. We are sure that this is one of the most desirable patterns of Japan-EC industrial cooperation.

In the world which is becoming smaller, technological breakthroughs in these fields should be made through international cooperation and mutual complementation. At the same time, serious consideration should be given to cooperation and division of labour between the public and private sectors.

Another point worth mentioning is the fact that Honda and BL are not giant corporations in the world's automobile industry. The present is no longer an era in which a corporation could survive as the strongest just by becoming big. Rather, it is an era which requires a corporation to find a tie-up partner which possesses strengths different from its own and to

complement each other. This, I think, is the optimum method of Japan-EC industrial cooperation.

Never before in European history has there been such deep interest in and understanding of Japan as there exists today. In interpreting this as the start of an effort to appreciate the differences between Japan and EC, and to make mutual use of these differences rather than to dismiss them as incomprehensible. And this is beginning to bear fruit.

As I have explained, the tie-up cooperation between Honda and BL has not been bound together until now by mutual holding of equity. This is not a cause of uneasiness about the future because we are mutually investing technology and know-how and we trust each other.

However, in thinking about the future of this cooperative relationship, we need to take into consideration the moves towards protectionism in Europe. If the moves to place quantitative restrictions on trade and to adopt measures for restricting imports accelerate rapidly, the free trade system will disintegrate.

The best way to maintain the identity and put to use the originality of both companies is for each side to use its own distribution network to freely market the car they develop and manufacture through joint effort.

The operative aim of our partnership is to combine the technology and efficient cost system which the two companies achieved through tremendous self-effort in their respective economic spheres of the EC and Japan. The long-term aim is to improve the competitiveness of the products of both companies. As one who has been actively involved in it, I believe that the pattern of our cooperative relationship augurs a bright future for Japan-EC industrial cooperation.



Mr. L. Poullain  
Advisor to Grundig GmbH

Approaching the subjects of European investments in Japan and the Japanese investments in Europe, I should dwell for sometime on the present state of relations because mutual investment until now has been of very little significance.

Since autumn 1982, two things have happened. First of all, the Commission of the EC has filed an anti dumping suit which is not an everyday occurrence. The Commission examined the matter very carefully and felt the suit was perfectly justifiable.

The second phenomenon is that the Japanese Foreign Minister has done a round trip to the most important countries of Europe to explain to everyone how liberal Japan will be in opening up its market for imports. What the Minister offered is, in our eyes, nothing more than a gesture, a friendly gesture of course, but without the real material content that we would like to see it having.

Now you gentlemen from Japan can control your industry and the distribution organization in your country. And whenever you are looking after your vested interests, you have a closed market. The fact that your government has come out with a declaration of its liberalism is not going to change that at all. What you are offering us are the narrow sectors of your market where your industry doesn't have many vested interests.

I hope this will be a first hesitant opening up of the market. It could, however, be a red herring attempt to divert attention from the main problem—Japanese exports to the rest of the world. On that particular subject the foreign minister of Japan didn't say anything very clearly. Are we to assume that by means of the import offer the Japanese are trying to divert attention from their export business, and therefore everything is going to go on regardless as before. Let's take a few examples of industries in Japan such as the optical industry and camera industry. If you have already killed off sectors in Europe by means of flooding the market, you can then corner the market; you are going to absorb all the purchasing power which Europeans have and also the money which they are going to have to pay to their unemployed people.

But you can rest assured that things will change in the future. If large scale industries in Europe get together, you can be certain that Thomson Brandt, Philips and Grundig will work effectively together, and you will not only find that there is effective resistance but that these companies will be able to go on the offensive to corner other world markets.

There's no doubt in my mind that it can happen. And it can happen because of the pressure from the Far East. You can say, in fact, that Japan is giving a genuine contribution to the integration of Europe.

an industry. It's also helping Europe get politically integrated, too. We may still be split on areas such as agriculture and steel, but the pressure from Japan is bringing us together. Perhaps I could dare add a prophecy in my capacity as advisor to Grundig that if Japan were not to moderate its export pressure on Europe, Thomson Brandt and Grundig will set the tone for cooperation even in the other European industry sectors.

I am pleased to be able to say this in Brussels. I believe it will be impossible to deal with a Pan-European strategy from the point of view of a national set of legislatures dealing with monopoly and cartels. Really the relevant yardstick for markets is no longer going to be compartmentalized in national markets. The yardstick will be the Community market as a whole.

Now what we are looking for is reciprocal, mutual investment. But it is not enough to have money for that. We need to have trust and confidence. The trade policy scenario between Japan and the Community gives rise to mistrust rather than confidence. Furthermore I can see obstacles to investment judging from the investments you have already made or are about to make in Germany. You tend to concentrate on installing plants. This way, the actual production of wealth still remains within Japan.

It's not just a question of trade policy, it's also a question of politics. I expect something considerable from the political point of view to emerge from reciprocal investment.

These investments should not just be possible legally and theoretically. They should also be effective. In other words, if European companies take participation in Japanese companies to invest there, they have to have the same room for manoeuvre in Japan as we give your Japanese companies to manoeuvre in Europe. You cannot have a liberal attitude just in certain areas. Liberality is unconditional, rather like pregnancy. It's an all-out thing, and it has to apply right across the board.

My heartfelt request to you is that you should show a certain amount of self-restraint and also be happy with a rather smaller share. After all these shares will be large enough to prevent you from falling into the economic crisis which Europeans are already in and will probably be in for several years to come. It won't be possible to have an economic bloc with high rates of unemployment and with all the attendant political consequences.

It won't be possible to attack this Community already suffering with a trade policy offensive without getting a reaction from the people in the Community which will affect everyone and lead to a contagious development of protectionism.

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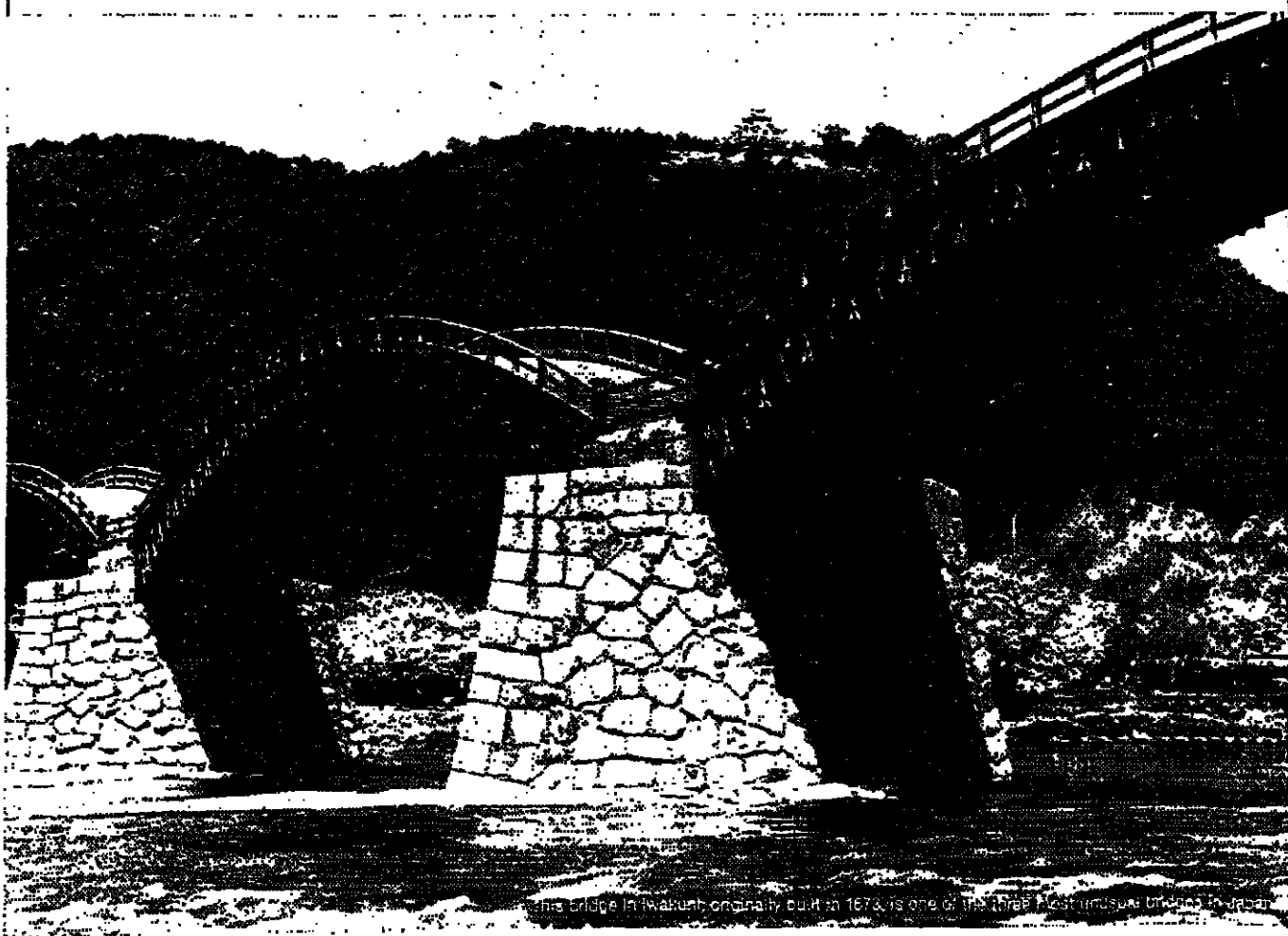
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Mr. K. Urakawa

Executive Vice-President and Director  
Ishikawajima-Harima Heavy  
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I would like to study the importance, review cases in point and predict the future of industrial cooperation and technical exchange between Japan and the European Communities, as seen from the standpoint of the Japanese shipbuilding, heavy machinery and plant engineering industries.

### 1. Importance of Industrial Cooperation and Technical Exchange

As you know, the world economy has not recovered from the recession that is overtaking the whole world simultaneously. Sluggish world trade has given rise to international concerns over protectionism, trade friction and technology friction.

If countries are to seek economic revitalization and maintain free trade under these circumstances, I believe they will have to raise their industrial technology standards and pursue industrial adjustment policies.

In addition to its efforts to use science and technology for the purpose of its economic and social revitalization, Japan must promote industrial cooperation and technical exchange, in such a way as to help other countries to revitalize their economies and to maintain free trade.

Looking back on the progress to date of industrial cooperation and technical exchange between Japan and EC countries, I would note that they have produced steady results from a number of operations such as joint ventures, joint research and development programs and cooperation in overseas projects.

Such progress has been made not only in the advanced technology area of industry such as computers, electronics and mechanical engineering, but in heavy machinery, plant engineering, shipbuilding, steel-making automobiles and energy.

### 2. Cases of Industrial Cooperation and Technical Exchange

First, I would say there has been a pattern dictating the evolution from technical introduction to technical exchange.

Introduction of a wide range of advanced European technologies and processes into the Japanese heavy machinery and plant engineering industries set the condition for them to raise their technical standards after a series of refinements and improvements on what they had acquired. Since then, they have contributed to the industrial development of Japan and helped developing countries build up their industries.

New technologies developed as a result of improvements on what has been introduced from Europe are now being supplied from Japan to Europe as a step in their efforts to promote technical exchange between them.

Japanese shipbuilders have won worldwide acclaim for their advanced technology and high design capability. But most of the diesel engines that move the ships have been constructed in Japan through technology introduced from Europe. Japanese shipbuilders are deeply indebted to Europe for their diesel engine technology.

Active technical exchange in this field of industry is producing steady results between Japan and Europe.

Second, I would like to point out some merits of technical exchange in the process of industrial revitalization.

During the second half of the 1960's, we built shipyards and heavy machinery shops under joint-venture arrangements in Brazil and Singapore simultaneously at the request of the local governments and with our strategic intention of building footholds for overseas production. This case did not end up as a mere transfer of technology under the terms of a technical tie-up. We were also given worldwide credit for the services of quality control, industrial management, professional education and other forms of business management.

Improving the valuable experience we have gained in this way, we have made technical knowhow available to Italy, in addition to the United States and Australia to help its shipbuilders revitalize their operations.

Major equipment for Japan's steel industry is supplied by Japanese heavy machinery manufacturers which have acquired their technology from the United States and Europe. But in recent years, these companies are promoting technical exchange and cooperation with their counterparts in Britain, Italy, France, Belgium and Spain.

My third consideration is for cooperation in overseas projects.

In recent years, as overseas projects are becoming larger in scale, country risks increase and the size of markets scales down, overseas projects environment are severe as ever can be. Under these circumstances, the trend is for Japanese and European plant engineering firms to form an international consortium

as a means of entering into negotiations.

A Japanese Ministry of International Trade and Industry survey shows that during the four-year period from 1978 to 1981, Japanese and European firms formed 27 international consortia with an EC portion at about \$2,840 million.

We are united with a Belgian company in an international consortium to build Africa's biggest ever bridge in Zaïre. Work on the bridge is progressing toward completion about one year and a half ahead of schedule.

### 3. Prospects of Industrial Cooperation and Technical Exchange

Finally, I would like to make some of my observations on industrial cooperation and technical exchange between Japan and EC countries.

With a view to promoting industrial cooperation and technical exchange, the Japan Machinery Exporters Association has held consultations at regular intervals with EC organizations of machinery and plant manufacturers and engineering companies to discuss concrete measures for such cooperation and exchange, as well as common problems they have to solve in this respect.

Second, if Japan and EC countries are to smooth the way for industrial cooperation and technical exchange between them, they will eventually have to rely on the capacities and the flow of interchange of those persons who work for them.

What is essential I believe, is a steady flow of personal interchange by training, recruiting and elevating talented people who will be able to display their abilities in the spirit of mutual understanding.

We are prepared, to promote industrial cooperation and technical exchange between Japan and EC countries, eventually to help restore a solid world economy.



Mr. T. D. Ross

Director and Group Public Affairs  
Coordinator  
Shell International Petroleum Co.

It is difficult to add anything of substance to the contribution already made by the distinguished speakers who have preceded me. My observations will be based on my experiences of seven years as President of Shell Companies in Japan.

I returned from Japan to the U.K. early in 1980 and I have to admit it was, in several respects, a depressing transition. It depressed me, first, to move from an economy in which a fall in the growth rate below 5% per annum was held to be almost a national disgrace, to one in which any prospect of growth was regarded as salvation and there was in practice more growth anticipated in the periodic forecasts than in reality.

It was also depressing to observe — or at least conclude — that the traditional economic mechanisms involved in the past to restore growth were proving, to a large degree, inappropriate for addressing the present causes of the general economic malaise. Increasingly it is clear that the origins of the world's current difficulties

are profound structural weaknesses and rigidities, national and international, which need different treatment. What is more worrying is the apparent tendency towards enhancement of those rigidities at the expense of a new dynamism which, in my view, is the only hopeful solution to our present difficulties.

The last cause of my unease derives from my last point — the understandable but, I believe, highly destructive "sauve-qui-peut" thought processes which appear to dominate national policies. Of course, the problems are profound and national governments are consumed with anxiety for their own constituencies. But this natural reaction seems destined to enhance both protectionism and tension at a time when, old remedies proving inadequate, entirely new, co-operative initiatives appear to be essential.

Those — and there are many of us — who have engaged fruitfully in business in Japan are saddened by what we sometimes consider to be undue emphasis on the impediments to constructive co-operation: which is why I am so pleased, as well as honoured, to be present at this Symposium. I am personally committed to the view that the restoration of a healthy world economy depends, as much as on any factor, upon combining the resources and expertise of the advanced, industrialized world — east and west — in a common endeavour to achieve the necessary restructuring.

We cannot ignore the fact that the tendency towards economic isolationism owes much to growing disparities in international competitiveness — no longer susceptible to exchange rate adjustments and the old monetary disciplines. Much of the basis of investment and employment — in all industrialized countries — now resides in obsolete plant and capacity that will never again have a viable existence in any open trading environment.

Equally, in all industrialized countries there reside pools of entrepreneurial talent, advanced technology, risk funds which await the incentive of a restoration of growth potential to turn that potential into achievement.

Unless these competitive disparities are addressed with priority and this requires an international flow of technology with all the complementary resources on a multinational basis — it seems probable that they will grow and the problems we now face become increasingly intractable. I cannot believe that any of the participants, including those apparently most able to cope in the present climate, will find that beneficial in the longer term.

To identify — or suggest — a solution is easy. It has to be admitted, however, that its achievement presents particular difficulties, not least those of achieving a common "wavelength" between Japanese and Western partners. The learning curve of the art of constructive co-operation for both has a shallow slope and I believe one should be cautious about referring too often to many difficulties to be overcome as "barriers". There is, indeed, some danger in so emphasizing the difficulties as to deter those who would otherwise be prepared to learn and make the effort to overcome.

To give one example, my companies which had already had 75 years of operating in Japan — and sometimes against daunting odds — took over two years to negotiate a Technical Service Agreement with our long-term partners. Among the problems was the difficulty of identifying convincingly the expected benefits to the partners of access to the Shell Group technology which was covered by the Agreement. In the event, agreement was reached and proved mutually beneficial. I firmly believe, however, that the successful outcome owed more to relationships of mutual trust that had been built up over the years than to any assessment of hard commercial realities.

For those of us in Europe, the problems of achieving this basis of mutual trust are enormous. Nor should we underestimate the corresponding problems for our Japanese friends. There are barriers of language, of national cultural and commercial traditions, the difficulties of identifying, interpreting and assessing relevant regulations, of differing time scales in commercial objectives and planning, of different attitudes to contract and, above all, of going beyond the superficiality of politeness and the impatience of dynamic management to achieve relationships of mutual respect and understanding.

It may be difficult. But it is not impossible, as witnessed by the successes we hear of less frequently than the failures. As I have suggested, the achievement of such mutual understanding may well be crucial to a restoration of the world to economic health.



From left to right, Mr. Masafumi Misu, Advisor to the Board, Hitachi Ltd.; Mr. Karl Rudolf Stahl, Member of the Board of Management, Robert Bosch GmbH; Mr. Naohiro Amaya, Special Advisor to the Ministry of International Trade and Industry; Mr. Edmond Peter Wellenstein, Special Counsellor to the EC Commission.

## WORKING HAND-IN-HAND

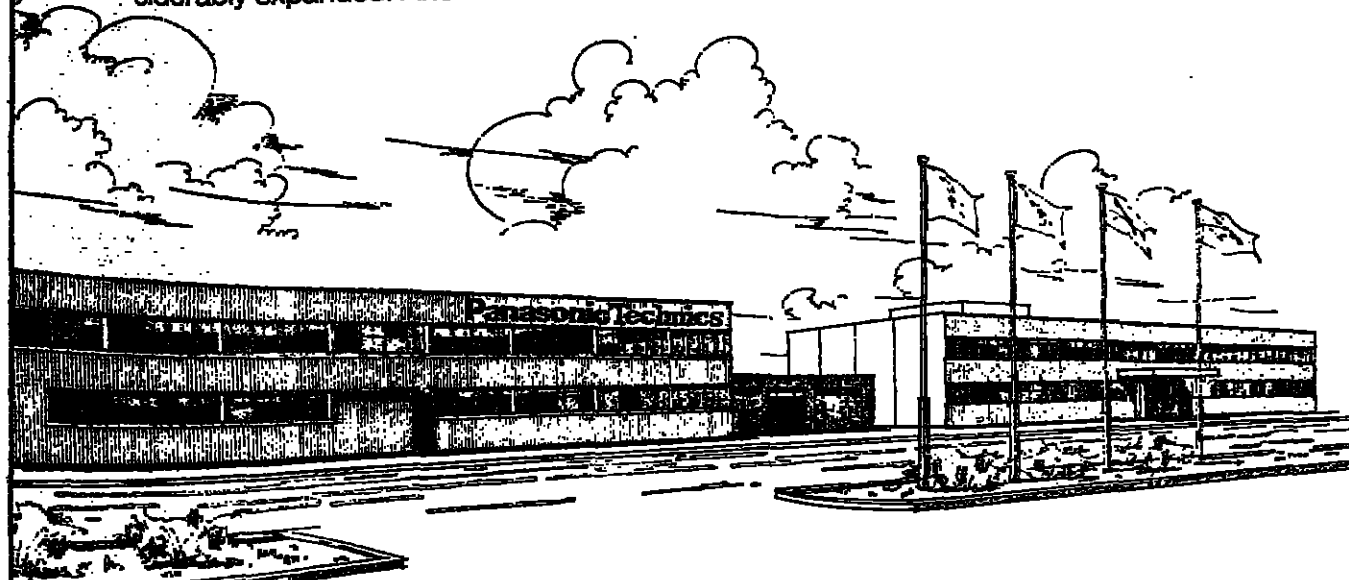
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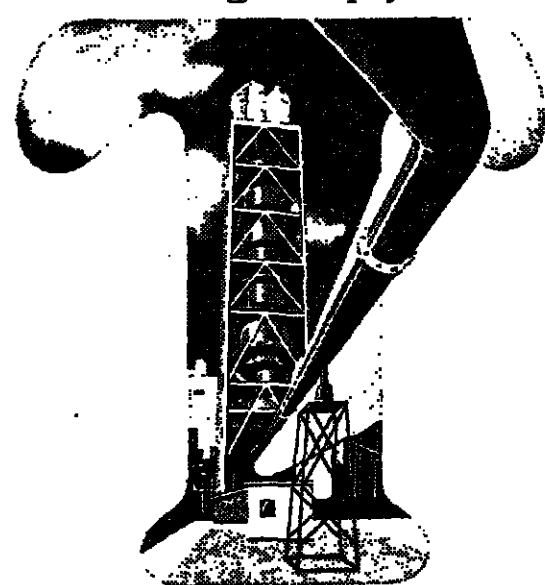
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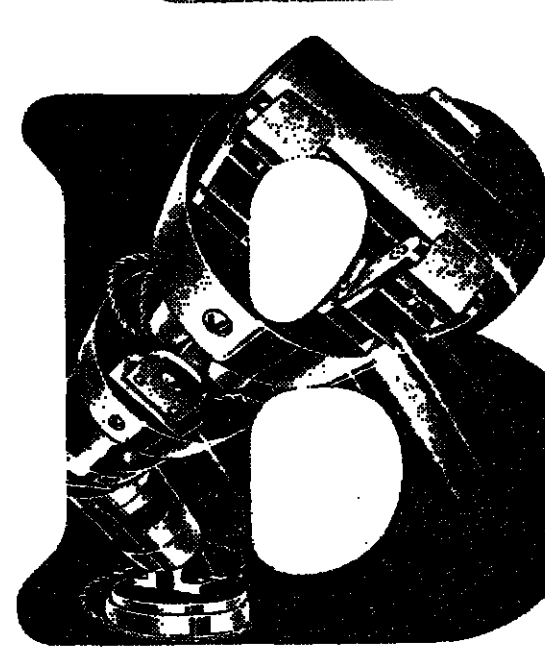
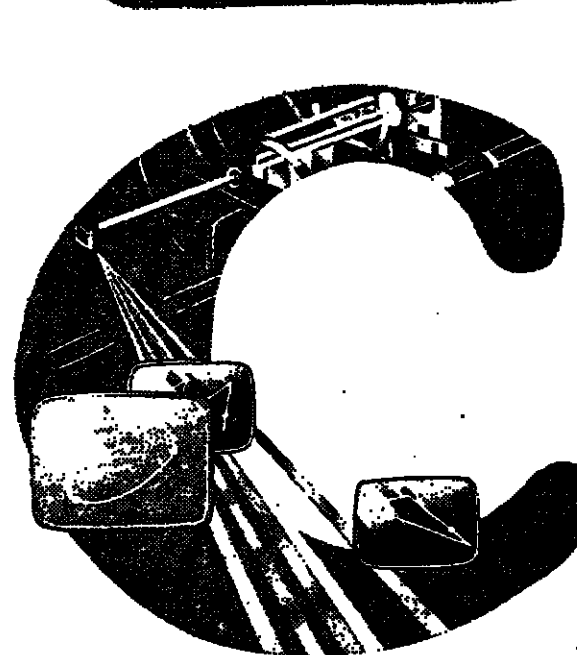


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هكذا صنع القوم

## ADVERTISEMENT RESEARCH AND DEVELOPMENT



Mr. S. Ishizaka  
Director General, Agency of Industrial  
Science and Technology, MITI

First, let me say the development of technology, particularly in the field of nuclear energy, space, and marine, which are conducted by the Science and Technology Agency. The Ministry of International Trade and Industry (MITI), where I work, is engaged in the R & D of industrial technology. We get about 15% of the total R & D budget or ¥200 billion (US\$1 billion).

As you can see, the ratio of MITI's technological R & D budget to the total national science and technology budget is not necessarily so large, but in implementing our technological R & D, there are two important elements which complement each other. First is the role of research institutes. The Agency of Industrial Science and Technology of MITI has 16 research institutes, and approximately 3,600 researchers — or about 30% of MITI's total staff — are engaged in activities related to almost all fields of industrial technology.

Second is the effort to cope appropriately with the needs of technological development. For this purpose, it is essential to take stock not only of the moves of technological development in the private sector, but also of industrial energy, and trade policies that have an impact on industrial structure, consumption structure, environment, and so on, with the long-term perspective. Furthermore, the government's role should be not only to define the direction but also to be more specifically "action-oriented". MITI aims at the development of broad, long-term but at the same time specific policies.

MITI's so called "national projects" involve the government's R & D, which also use capabilities of the private sector if the national research institutes are short of man power. The results obtained by such projects belong to the government to which non-discriminatory access is guaranteed, be it by Japanese or foreign entities.

Some of these national projects, include the Sunshine Project for new energy, the Moonlight Project for the energy conservation technology, and the "large-scale projects" involving high risks and requiring a long lead time for R & D, which cannot be handled by the private sector. Also, in fiscal 1981 we initiated the next generation projects with an eye to further our basic research and develop technologies which will become the basis for future industries. New materials, new electronic devices, and biotechnology are such examples.

I would now like to touch upon the two main directions the industrial technology policy in Japan will take in the future.

The first is to promote creative technological R & D which makes full use of intellectual capacity, possibly the only resource our country has. In order to enhance creativity, efforts should be made by industry, academia, and govern-

ment independently, and also for the these three sectors to cooperate effectively. And we believe MITI and its institutes should play a central role in this endeavour. The second involves the promotion of international cooperation in technological R & D. In recent years, the scale and the risk involved of the technological R & D project have become considerably bigger. Also, we see more and more issues which cannot be handled by a single country but require global measures. In order to conduct technological R & D efficiently, nations should cooperate and tackle such issues together. We believe this will be the worldwide trend of the future.

It is also our belief that in the future we should positively promote R & D cooperation with the EC. Such cooperative activities have been expanding steadily. Currently, certain concrete results have been achieved through cooperation with the EC nations such as R & D on energy within the framework of IEA, and cooperative efforts under a bilateral agreement on science and technology with France and West Germany.

Lastly, I would like to emphasize that there has never been a greater need for the developed nations to work in harmony for the revitalization and growth of the world economy than today. At this very moment, the financial state of Japan is under extreme stress just like EC and the United States. Budget has been cut in comparison with that of the previous fiscal year. R & D budget is no exception. However, it is in times of such economic stagnation that revitalization is most needed. It is very important that at this moment nations will cooperate effectively in pioneering basic research areas of high technology. And Japan wishes to further promote international cooperation with EC and various nations of the world by such means as active exchange of researchers.

I am an old friend of Japan with a rather long lasting personal working experience of technological cooperation with the Japanese industry, in both the private and public sector. In all these years, I have developed a feeling of admiration for Japan's achievement and for the quality of its people and for its industry: frugality, ingenuity, teamwork, not based on a complex detailed form of planning but rather well defined long term strategy based on a few simple ideas carried out by way of policy of consensus-building of which we are not as capable. Most of all, I admire the Japanese capability to produce useful innovation and to conquer important positions in the international markets which is a must for a wealthy industrial heavily populated country deprived of natural resources and therefore obliged to base its strategy on foreign trade and also obliged to keep abreast and to keep an edge on a selected number of advanced and less advanced technologies and industrial sectors in order to keep and improve its ability to export in both developed and developing countries.

I am convinced, however, that Europe too has a high innovative capacity and an even higher potential for further innovation. We are strong in several important technological and industrial sectors and should look with a positive eye, with no inferiority complex to a closer and wider economic relationship with Japan — a relationship which must ever more be based on technological cooperation.

First a few remarks of general nature on the relative impenetrability of the Japanese market.

Setting aside the question of how reciprocal trade is and how open the Japanese market really is to European products and technology the fact remains that European exports, and even more European industrial undertakings in Japan, are blocked by a host of factors. And many of these elements cannot easily be assessed in quantitative terms; elements like the preservation of strong traditions and ways of working that are so different from those of the Western countries. All this ultimately makes Japan seem highly impenetrable.



Mr. U. Colombo  
President  
Ente Nazionale Idrocarburi

As things stand, Japan tend to export more goods than its domestic market seems to need to import, and the nation tends to choose foreign technology that is indispensable for beefing up or launching certain sectors and businesses.

Technical and scientific cooperation and technological exchange are fairly lively, however, and they cover a broad spectrum extending from basic research to energy, environment, food, materials processing technology and consumer goods. All examples of joint efforts show that Europe and Japan are complemen-

tary. Indeed this complementary quality goes far deeper than it might seem on the basis of actual technical cooperation and trade exchange between the two areas, and this goes notwithstanding the obvious fact that on both sides it involves highly industrialized nations.

Japan has concentrated its efforts on a high degree of specialization in a certain number of technologies and industrial sectors, and the nation is shifting the fulcrum of its business towards the leading new technologies and sectors. This means that there is a great imbalance in the production structure and a corresponding imbalance in the domestic market. What makes this tenable in Japan is the tradition of frugality of most of the Japanese people. They do not feel as strong a need as we Europeans do for goods and services, which domestic industry and the domestic market offer in fairly small quantity and modest quality.

It is different with Europe. Europe is not a single nation, nor is it likely that it ever will be in terms of total solidarity and uniformity. Europe's geography, culture, and production are extremely complex. It has a long tradition of high standards of living, with sound social and service structures. Granted, Europe seems to be less involved in the basic technology of data processing and telecommunications, which should be the backbone of the society of the future, the post-industrial world of services. But it is also true that these technologies and this backbone are merely the necessary infrastructure for that society, while the quality of these services and their suitability to market need will depend on a host of other technologies such as "software" which represent one of Europe's particular strong points.

The present situation is a difficult one but if we do not want to enhance the risk of increasing protectionism we must then look to that complementary aspect I referred to in order to create a truly mutual and reciprocal system of exchange between Europe and Japan — exchange of products, services, technologies and plants. Europe must not be afraid of the arrival of Japanese production and technology, and Japan must expand, on the other hand, its market and open its society to broader needs that will make room for European producers and industries. Promoting interchange does not mean merely a reduced risk of protectionism. It means increased opportunities, and that is tantamount to saying more wealth for all.

This process of interchange, then, must be fostered at all levels, from research to trade exchange and new openings for production structures, and it must be extended to all; to research institutions, industrial concerns, economic bodies and

governments. Everything will be of vital importance, whether action involves specific one-time matters or more general strategic views. And where research and technology are concerned, what is always most important are general approach instruments.

The first kind of instrument is skeleton and operational agreements covering broad sectors of possible joint action by large concerns. I should like to cite the example of ENI, which has drawn up a skeleton agreement with Japan National Oil Corporation and has set in motion a whole host of undertakings with Japanese concerns. These undertakings have involved the sale of ENI technology such as urea process, enzyme retaining fibres and furnace design techniques, and they have also involved the acquisition of Japanese technology including process for polyamide and acrylic fibers or for polycarbonates. Joint investment has already got underway.

The second instrument I should like to mention is cooperation on the basis of agreement between governments as was suggested at the June 1982 Versailles Summit of the seven most industrialized nations. More than twenty projects have been agreed to. They involve energy resources, food, the advancement of scientific knowledge and improvement in standards of living and working conditions. The seven summit nations as well as the European Community are involved in these projects sometimes as participants and some cases as leaders. One example is the photovoltaic solar energy which involve Japan, Italy and other countries of the EC. I could quote many others in the energy area, in electronics, in robotics, in biotechnologies and so forth.

These study projects and action programmes touch on fundamental features for the solution of problems common to our countries and even to the whole world, in connection with basic questions of energy and resources, labour and employment, and boosting the economy. These projects and programmes represent an essential tool for cooperation and they also represent an instrument for increased understanding and cooperation between Europe and Japan. Indeed, this mutual understanding of each other's situation and a willingness to act for the common good for all, with room for everyone — instead of turning in on ourselves in the fruitless defense of contingent interests — these things, in my view, are the best way of facing the serious problems of our time.

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## ADVERTISEMENT RESEARCH AND DEVELOPMENT



**Mr. A. Ohuchi**  
Vice-President  
Nippon Electric Co., Ltd.

The global economic recession which began with the oil crisis continues at the present with no hope of recovery in sight. I feel, however, that there is a deep, and strong current swirling behind this economic stagnation. I believe the world is going through a change in industrial structure. Industry has been shifting from basic materials to processing/assembly and finally knowledge intensiveness. In other words, the world is changing to an information based society.

I have been involved in the electronics industry for over 40 years. I feel strongly the advances being made today in technology, especially in electronics technology. I can see the contributions the electronics technology have made to economic development. Telecommunications networks, televisions and other home electronics, computers and IC's have played a large role in economic growth.

I believe that to break the global recession, the most important thing is to speed up the pace of technical development. We at NEC believe the future direction of technology necessary for an information based society lies in so-called "C&C". The recent startling technical advances in the field of electronics have, arisen through the greater mutual access of distributed processing and the digitalization of communications. Both of these have been made possible by the rapid progress in IC's and other semiconductor technology. We see "C&C", that is, computers and communications, as fusing together completely around the year 2000. This belief is fortunately coming into greater acceptance around the world. We believe the extent to which countries join hands for research and development in this field will be an important topic in the future.

No one looking back over the history of science and technology can fail to note the brilliant achievements of Europe. Even if one focuses on just the electronics field,

one can see the strength of Europe in basic and creative research and development. One of Japan's scientists, Dr. Reona Ezaki, won the Nobel Prize for his discovery of the tunnel diode in 1957, but the existence of the tunnel effect of semiconductors had been forecast in Europe a quarter of a century earlier. The "Josephson element," which has recently drawn attention as one of tomorrow's computers, is based on the theoretical contributions of Mr. Josephson of the United Kingdom. In the computer software field, the famous "PROLOG" language, able to handle both knowledge and theory, was born in France and further developed in the United Kingdom.

The fruits of this superior research, however, are not necessarily being enjoyed by the presentday EC electronics industries. Technical development only becomes useful to the general public when the fundamental innovation leads to product innovation and to process innovation. Japan has had the jump on other nations in this respect. Here, let me say that I cannot agree 100 percent with the Western criticism that Japan is merely a good imitator. The production of good products at a low price is a creative art in itself and demands a quick sensitivity to user needs. I would like to stress this point to the EC representatives in attendance here today.

On the other hand, I would like to point out that Japan has been reaching a fairly high level in innovative technology. One of the technologies behind "C&C" is optoelectronics. And the principle of optical fibres for transmission of light was first proposed in Japan. Further, a look at the number of papers submitted to the International Solid State Circuits Conference, a frontline academic organization in the field of semiconductors, shows Japan accounting for 30 percent, second only to the U.S. with 60 percent. In this field, Japan may be said to have reached a technical level comparable with the EC.

The same may be said for trade in technology. Japan's exports of electronics technology are still less than its imports, but have been growing at a rate three times that of imports. In the field of semiconductors, NEC is now taking in roughly the same amount of money from the U.S. and Europe in patent licensing and know-how fees as it is paying out.

These examples would seem to show the existence of innovative inventiveness among the Japanese as well.

There is one point I would like to mention. And that is that technical development in Japan has been led by the private sector. That competition provides the drive behind economic development in an economic system has been clear from theoretical and actual research since Adam Smith. Competition also is extremely effective in spurring on technical development as well. According to a recent report on industrial competition published by The European Management

Forum based in Geneva, Japan ranked number one in future orientation. The report stated that the share of research and development expenditures of private corporations in total research and development expenditures was an extremely high 71 percent in Japan as compared with the 41 percent in the United Kingdom, 41 percent in France, and 33 percent in West Germany. By way of reference, the share of government subsidies in the research and development expenditures of the Japanese electronics industry was only 2 percent even for the large corporations. And, in most cases, those subsidies had to be paid back in the future if any of the subsidized projects generated profits.

In light of the above comments, let us now consider the potential for interchange in research and development between Japan and the EC. I believe it is possible to significantly cooperate in and coordinate efforts in the research field. At the very least, I believe that it is possible to engage in significant joint research in the field of fundamental basic technology for the next 10 years. However, there is also a need for competition in the field of development.

In line with this thinking, I would propose the following method of exchange. First, for large-scale projects such as the "fifth generation of computers", for which research and development is now being carried out by Japan on a 10-year schedule, I would propose the direct participation of the world's leading scientists as the best and shortest method for completion. For projects where the technology it would be best to cooperate with each other rendering advantageous points among individual countries. This would hold true, for example, in the research and development of software for the next generation of computers.

Second, I would propose further exchanges between academic organizations and increases in the interchange of researchers and students between Japan and the EC. The interchange of researchers between Japan and Europe is still small compared with that between Japan and the U.S. and the U.S. and Europe and there is more than enough room for improvement.

Exchanges in research and development on the individual corporation level are also important, however, first, corporations can mutually become "second sources." NEC has, for example, concluded a second source contract with Intel of the U.S. for microcomputer IC's, enabling both parties to exchange technology for their own specialties in IC's. This formula should also be effective between Japan and the EC. Second, Japanese and EC companies investing in each other can employ local technicians for the development of new products appropriate for the local countries. Recently, NEC set up an IC manufacturing base in Scotland. It

soon expects to see its British and Japanese engineers pooling their mental resources for the development of state-of-the-art IC's.

Looking at the world as a whole now notices the vast number of problems. Needless to say, these problems arise from the differences in culture and language, which create confrontations of opinions and mutual misunderstandings. NEC believes that "C&C" technology can provide one of the means for resolving these confrontations and misunderstandings. The reason for this is the automation of translation and interpretation. The lack of a common language between the leaders of the EC nations has resulted in a lack of accurate communication of intentions. If such a language barrier really exists even between nations in the EC, then the size of the barrier between Japan and the EC can well be imagined. While the Japanese language I am now using is being translated into your native tongues through interpreters, this would be greatly facilitated by automation. I propose joint research and development between Japan and the EC in automatic translation and interpretation machines. This would, among other things, help overcome the perception gap between Japan and the EC.

In closing my speech, let me draw your attention to the fact that this year is the "year of world communications" and the year in which the so-called olympics of telecommunications, "Telecom 83," will be held. It is my hope that 1983 will be a year in which the world takes a giant step forward toward the research and development of a system contributing to mutual world understanding.



**Mr. P. Aigrain**  
Scientific Advisor to the  
President of Thomson Group

I noticed that my biographical profile includes the fact that I was born in Poitiers, which might not be the best introduction at the present time for a Japanese-European Symposium. I would like to concentrate my short presentation on only one part of the programme, namely, the cooperation in scientific and technological areas at the level of industry.

The distinction I am going to make is not that between the public and private sector but that between government and companies, whether they are government-owned or private, which are engaged in the production of goods and services on a competitive market especially on the world market. There are many projects which can only be handled by government and government laboratories. These projects have already led to a lot of cooperation that could be developed. It is not an area in which we should meet with much difficulty in extending cooperation between Japan and EC.

But if we look at the problem of scientific cooperation, between companies which are at the same time in competition, that it always a much more difficult problem. And I would like to say right away that governments are not always in the best position to promote such cooperation. In fact, governments were never planned to organize to promote things but to block things.

Most of the possible development of cooperation, therefore, must come from direct industry-to-industry or laboratory-to-laboratory contract and the development of mutual trust. No cooperation is possible between competing companies unless they are convinced that it would yield a mutual advantage. It's not a problem of one company gaining and the other losing. Cooperation is possible if both companies (or they may be more than two) which are cooperating on a project are convinced that this cooperation is going to be beneficial. And that's difficult, and it is especially difficult between the Japanese and the European Communities companies. I am not going to dwell on the cultural problems, for these are real enough. But there are further problems. One of them is representation of each other's attitudes, and capabilities.

The image of France in Japan is still to a large extent, that of a country of wine, cheeses, fashions, and so on. And to some extent, the country which has succeeded in very big projects like the Airbus but not very much in the other areas. Now I am a great believer in wines, in cheeses, in well-dressed women, so I am not going to claim this is not important. But I think that France is much more than that, and this is not always well understood in a country like Japan. I don't say this is a fault of the Japanese. It's to a large extent the result of insufficient information on the part of the French.

The same goes for the representation of Japanese industry in EC countries, it is

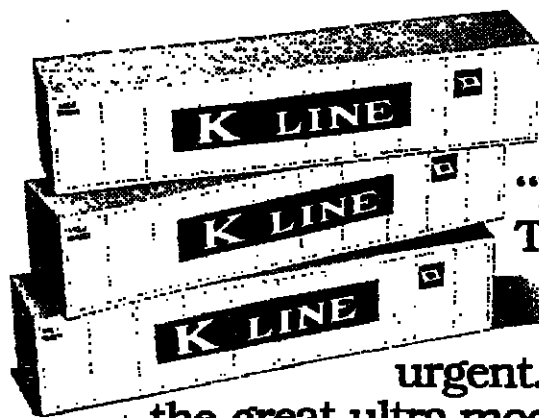
much too often tilted. I agree with Dr. Ouchi that developing a high quality product which can be made cheaply and fitting the market needs is just as creative and undertaking as getting the first idea in doing the preliminary R and D. But it's a fact that on the whole the preliminary research leading to the point of feasibility has been carried out mostly in Europe and the U.S., and the Japanese have been mostly doing this second very important part. Unfortunately, this does not lead to a balance cooperation. It is much easier to reap industrial and commercial advantages from the final development than from just getting the idea. And getting ideas is not cheap. I believe a great effort has to be made to change this. And this is where Governments can help. We must also be careful in destroying misconceptions and develop mutual trust. In the second place, both Japan and the Community must also strive to take corrective measures to improve the situation. I think there are some tendencies for going in this direction. Professor Ishizaka mentioned, for instance, Japan's efforts to increase creative R and D work. Similarly I think we must try to increase the percentage of R and D which is carried out by industry, which is controlled by the industry, and is therefore paid by the industry.

Now I would like to cite the case of my own company. I am a president of a company with the main subsidiary of Thomson Group, the Thomson CSF, which is spending 12 percent of its revenue on R and D. This is probably the highest percentage of any large company in the world. So there are exceptions to the rule even though European companies have not been spending quite enough on R and D development.

I believe, therefore, that the steps recently taken by the French Government to give tax incentives for increases in R and D spending are right ones. Incidentally, this system of tax incentives has existed in Japan for thirty years, and it may have had a great influence on the development of a remarkable R and D capability in Japan. Each side could learn from the other by observing each other's administrative, fiscal, organization and educational methods. Both governments and companies can help on these points.

Now if we go in this direction, if we correct both misconceptions and distortions where they exist, I believe a direct industry-to-industry contact will make industrial cooperation in R and D more frequent and more efficient. This cannot be wholly achieved by governments. Government commitments are important in that they give a certain degree of guarantee, and that when an agreement is reached between companies, the governments won't block it. But only company-to-company direct cooperation can really be efficient for that part of the subject which I was trying to address.

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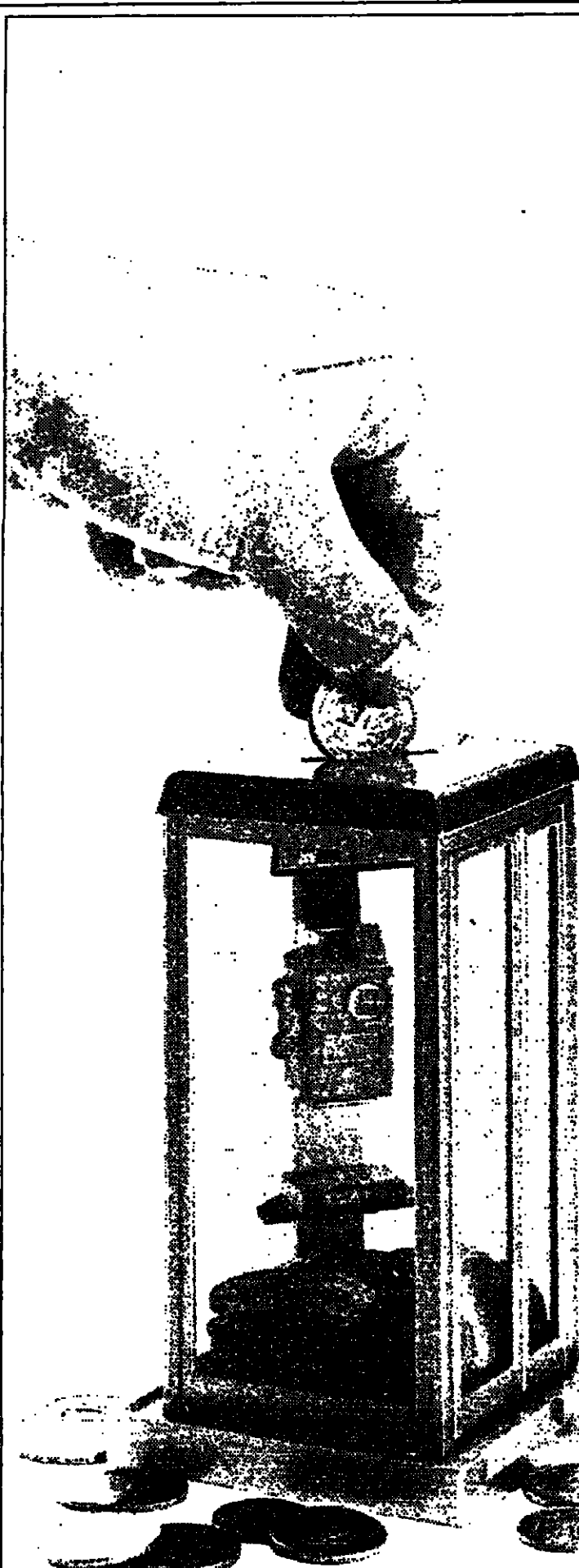
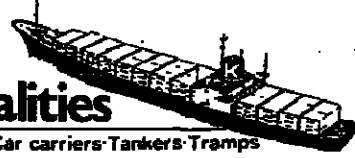
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